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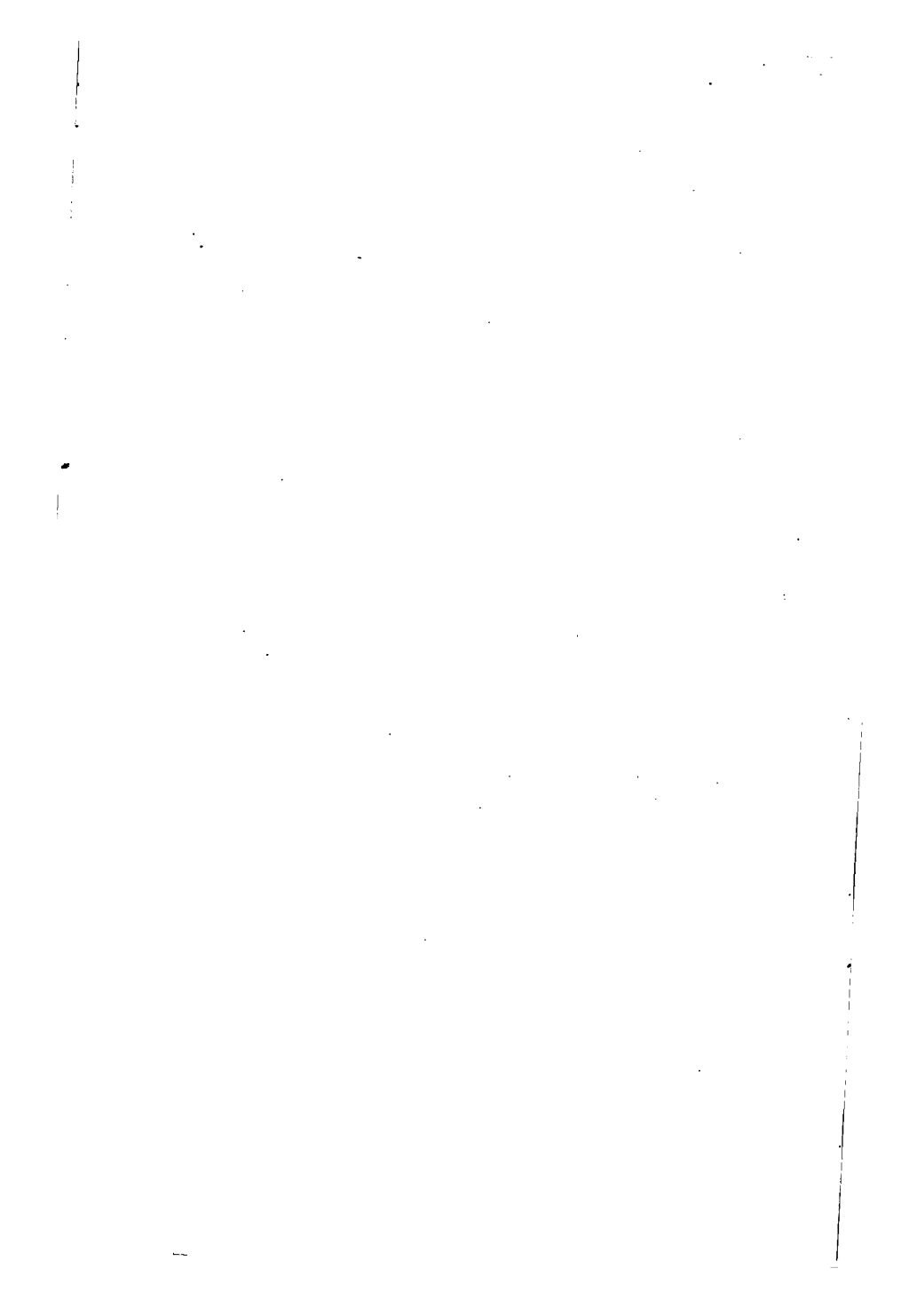
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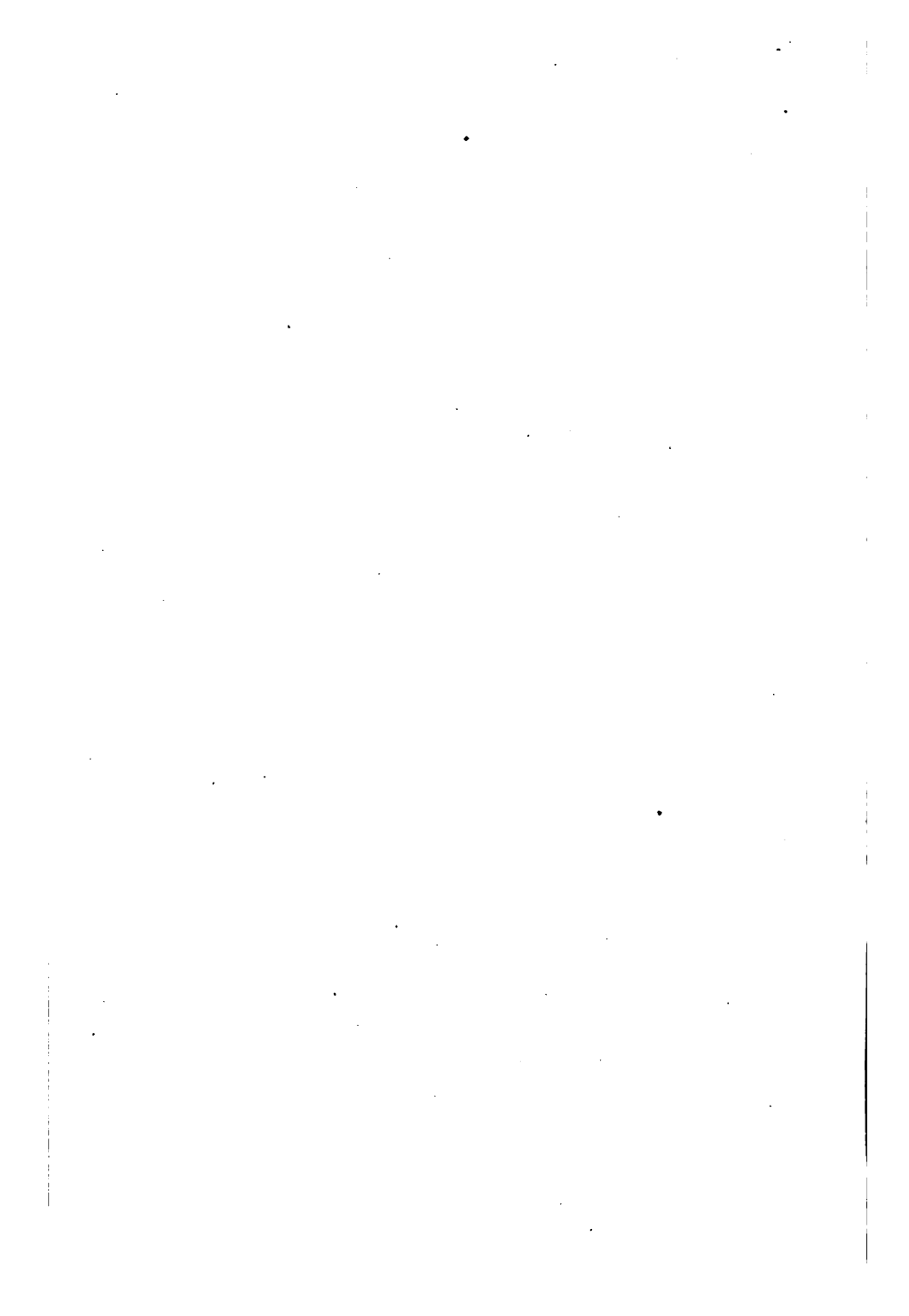
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**THE NEW TRADES COMBINATION
MOVEMENT**



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THE NEW TRADES COMBINATION MOVEMENT

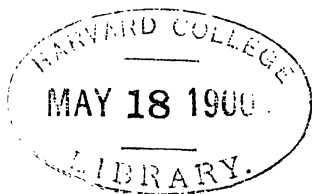
Its Principles, Methods, and Progress

BY
E. J. SMITH

WITH AN INTRODUCTION BY
THE REV. J. CARTER, M.A.
BURSAR OF PUSEY HOUSE, OXFORD

RIVINGTONS
34, KING STREET, COVENT GARDEN
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1899

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PREFACE

IN presenting to the public in book form the series of articles which have appeared from time to time in the *Economic Review*, I have yielded to the request of many people who have become interested in the scheme which these articles explain.

This interest has been promoted as much by the criticism to which the plan has been subjected as by the success which the movement has attained. To me the one has been as welcome as the other.

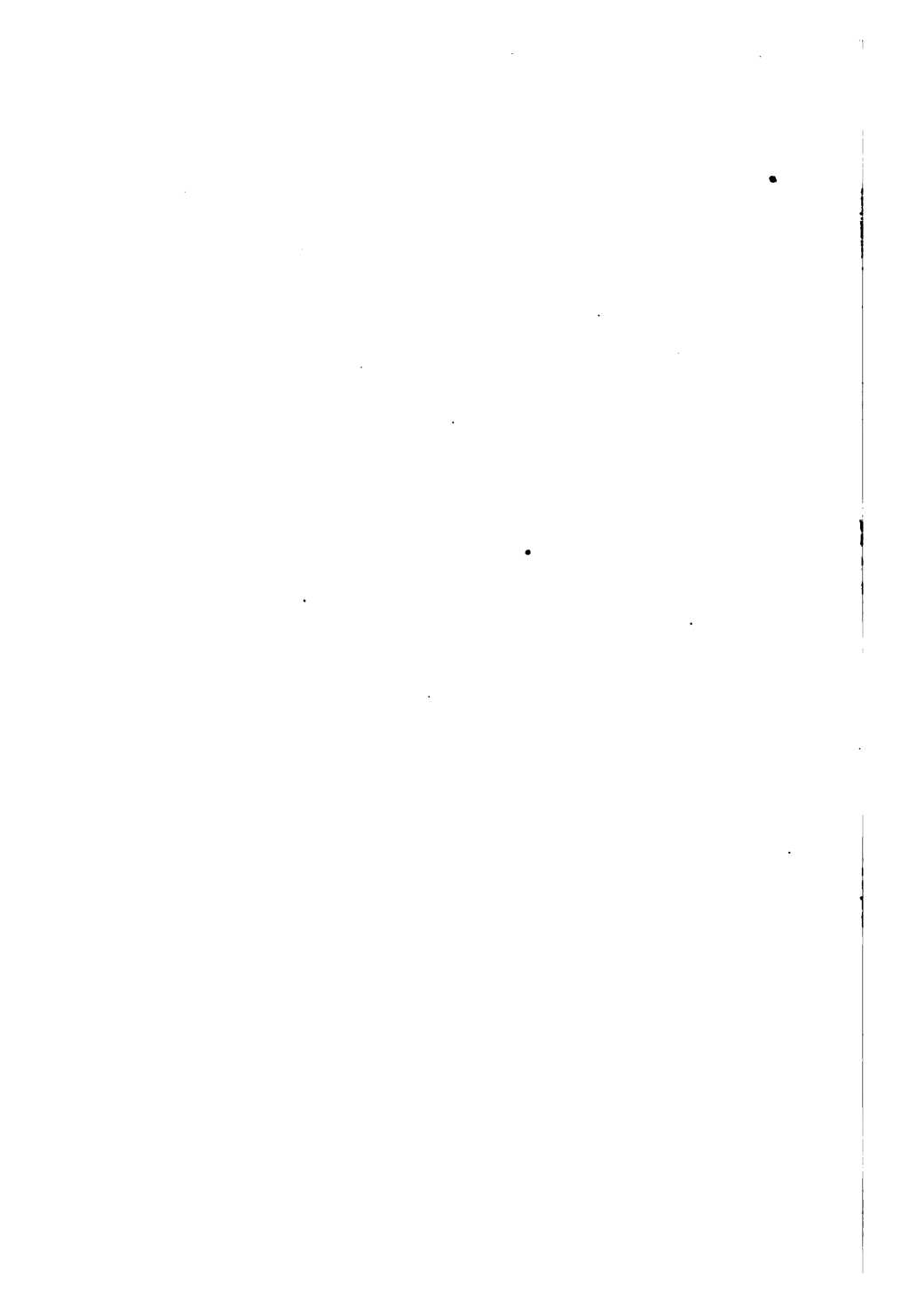
That the attempt to reform the trading methods which have brought about so much ruinous competition is a drastic one, I admit. I have long been of opinion that a drastic method is the only one which could be of service. "Nothing, however, could be more open to criticism from this point of view than State interference, which so many people demand. It would be difficult enough for the State to put an end to the "Labour war;" it would

be many times more difficult to regulate selling prices by Governmental control. Every one must admit that it would be better for the manufacturers and their workmen to settle their own difficulties, and for each to provide their own remedies. These articles not only suggest a way by which this might be done, but describe the way by which it is done. That the difficulties are great, and the opposition keen, goes without saying. The scheme could not be worth much were it not so. But those who wish to know more about the movement have now the case before them as completely as it can be presented to-day. If the plan is a bad one, inquiry will help to kill something which ought not to live. If it is a good one, criticism can only increase its vitality. I have only to add that, so far as the legality of the methods employed are concerned, every effort has been made to obtain the best legal advice, and that the scheme is formed on the lines suggested in the legal opinions obtained. In several cases workmen have, on their own initiative, gone beyond the arrangements made with them. Whenever this happens the aggrieved persons have their own remedy, and no one can say that our magistrates err on the side of leniency if the law has been broken. There has, however, been much to learn, and the lessons have not been

wasted. Time alone will determine the value of the scheme, and, for myself, I can only hope during one short life to assist in making a few practical experiments which will be of more value than any theory I have advanced.

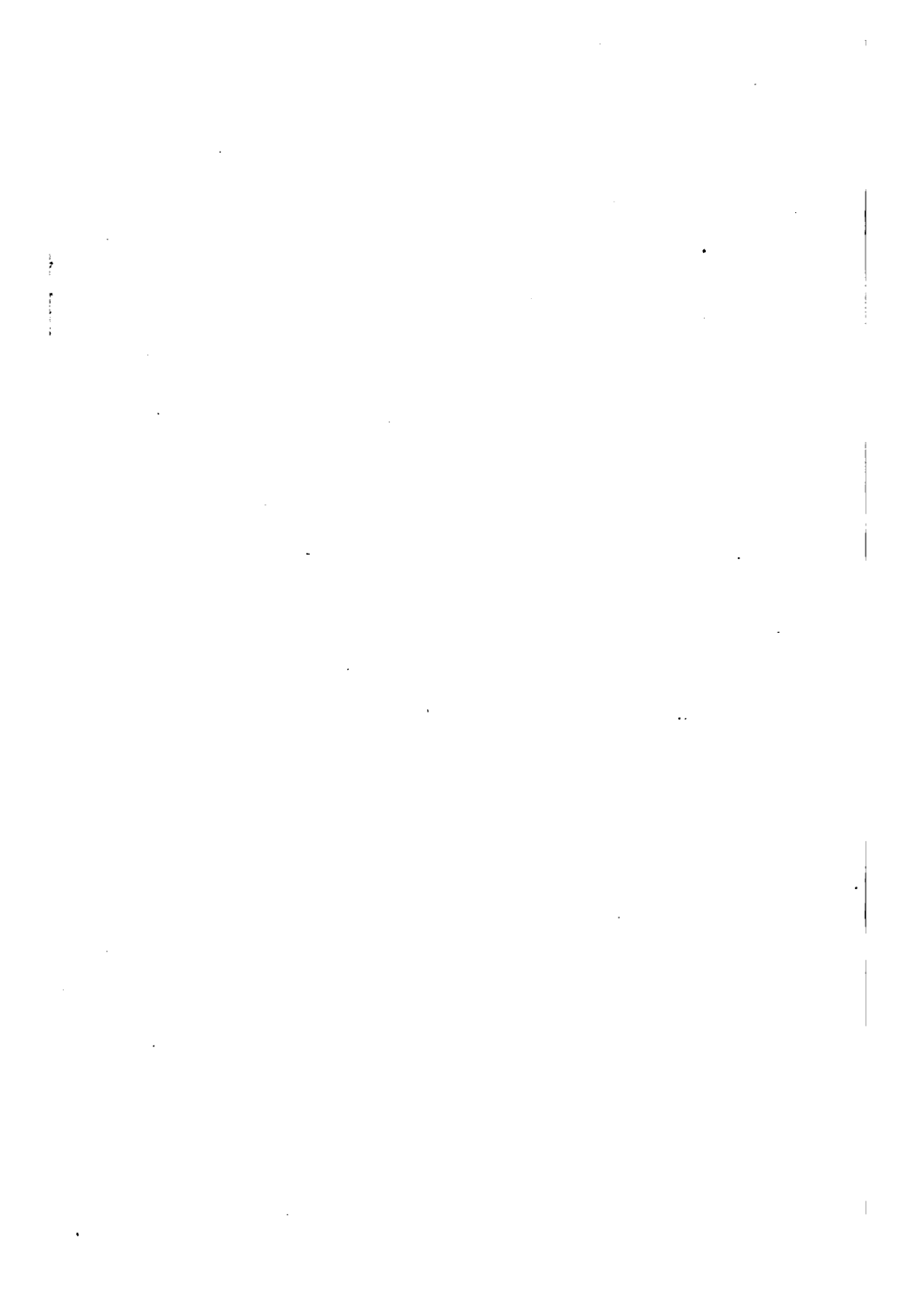
E. J. SMITH.

HAGLEY ROAD, BIRMINGHAM,
August, 1899.



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INTRODUCTION

THE main part of the following chapters has already appeared, at various times during the course of the last two years, in a series of articles written for the *Economic Review*; and it is presumably for this reason that one of the editors of that quarterly has been invited to contribute a brief introduction to their publication in book form. But those who have read any of Mr. Smith's articles will at least be prepared to admit that he requires no interpreter. No one should find any difficulty in understanding the purpose he has in view, or the methods by which he proposes to realize it. Moreover, this defence of a novel system of industrial organization is by no means of the nature of a mere preliminary apology with an eye to future action; rather it is an attempt to justify theoretically what has already become a practical fact. In at least one trade¹ the New Trades Combination Scheme has virtually dominated the position for several years, and it has also begun to extend its operations in other directions.

¹ *I.e.* The metallic bedstead trade, in which the experiment was first tried, and to which ~~Mr. Smith~~ himself belongs. Among other trades to which the principle has been more or less successfully applied are the electrical fittings and china furniture trades (in which the scheme has been in operation for about four years without any dissent whatever), the fender trade, the metal-rolling trade, and the cased tube trade.

✓ It is true that the first trade to be completely organized by this method, the metallic bedstead trade, is a comparatively small one, only involving perhaps about £1,500,000 of capital. And it must also be acknowledged that there have been, and unhappily still remain, some signs of dissension, and even open revolt, within the trade itself. Still, the results which have been obtained possess a very real and far-reaching significance. If Mr. Smith's argument holds good, there can hardly be any practical difficulty of an insuperable character which must prevent the gradual extension of this scheme to other and more important industries. The scheme, then, is a fact which has established an absolute right to a fair and thorough consideration. It should commend itself, not only to the economic student, eager to mark and observe any fresh development of existing tendencies, but even more to the social reformer, anxious for some immediately practicable remedy which shall at the very least mitigate the more obvious evils of our present industrial system.

✓ The New Trades Combination Scheme, as indeed its name signifies, is but the logical outcome of economic tendencies that have been especially active in recent years. It represents a fresh move in the contest for industrial supremacy between the rival principles of ordered combination and unrestricted competition. As such it is by no means a wholly strange and unfamiliar idea; its sole novelty lies in the fact that it endeavours to widen the area of combination, and, by various devices, to establish it upon a more secure and permanent basis.

"Association is the watchword of the future," said Arnold Toynbee, nearly a generation ago ; and subsequent events have for the most part gone to verify his prediction. The trade unions have vindicated their legal right to "conspire in restraint of trade," and, of course, the employers' associations have not failed to claim an equal privilege. But the organization of each trade by itself has been found inadequate. No single trade stands absolutely alone ; for, under the highly complicated conditions of modern industry, the prosperity or distress of any single trade more or less affects the welfare of every other trade in the country. And, therefore, we now see a renewed attempt to found great federations of capital and labour respectively, which shall comprise all the various industrial groups in two rival camps. This process, it may be assumed, will be generally regarded with something more than equanimity. No doubt, in the industrial history of the last twenty-five years, there have been a great many unfortunate and costly blunders on both sides ; but, on the whole, it may fairly be maintained that the general result has been beneficial, not only to individual trades, but also to the country at large. It has strengthened rather than weakened our power to compete with the rest of the world ; it has helped to increase rather than to diminish our productive power ; and, what is perhaps most important of all, it has tended to facilitate rather than to check the hope of industrial peace.

It is not, then, mere "economic fatalism " to welcome any further development of this principle of combination.

Granted, what is certainly undeniable, that the combination of human wills is one of the greatest forces at our disposal, it is the most foolish kind of fatalism to imagine that such a vast power will be left without its proper function. It must be admitted, of course, that, in itself, combination merely provides an opportunity for good or for evil. The whole problem, therefore, is to see that it is kept under intelligent and moral control, and justly used for right purposes. At all events the logic of facts is driving us to recognize that this supreme force will be increasingly utilized in one way or another. For instance, Professor Ashley has recently spoken of the remarkable spread of Trusts in America,¹ the peculiar home of Individualism; and Mr. H. W. Macrosty has given some account of similar developments in England.²

"The 'Trusts,'" writes Professor Ashley, "are, in the main, simply an attempt to lessen and, if it may be, avert altogether the disastrous and harassing effects of cut-throat competition, after a completer experience of what that competition means than any country has ever been through before. Their formation has, in most instances, followed upon a period of over-production and consequent depression. For the nerves of the American business man have at last revolted and demanded some decently comfortable measure of stability. This, I am convinced, is the underlying cause of the movement towards combination, of which the 'Trusts,' as I have already remarked, are but the culminating examples."

¹ *Economic Journal*, June, 1899: "American Trusts."

² *Contemporary Review*, March, 1899: "The Growth of Monopoly in British Industry."

And, up to the present time, though "Anti-Trust laws were passed by some twelve or more State legislatures; and, in 1890, by the United States Congress itself, with regard to inter-state commerce," every attempt to check these conspiracies in restraint of trade has conspicuously failed. In fact, we are told that the amount of capital concentrated in this form during the first two months of this year was considerably larger than the vast funds (amounting, it is said, to something like a billion and a quarter of dollars) consolidated in Trusts during 1898.

On the other hand, the New Trades Combination Scheme presents some characteristic differences from the American Trusts. In the first place, as will be seen, it aims at harmonizing the conflicting interests of employers and employed. This is an absolutely essential feature of Mr. Smith's policy; and, as I am informed, he resolutely declines to deal with any trade until both masters and men have mutually agreed to enter into a definite business arrangement. In itself, this is no small achievement. The jealousies and recriminations on either side are notorious; and since both parties have acquiesced for so long a time in the old assumption that they are enemies by nature, it seems almost incredible to them at first sight that there should be anything like fair and even-handed justice in their economic relations with one another. However, it is encouraging to observe that such initial difficulties have been overcome, and that, in the metallic bedstead trade at any rate, a joint committee of masters and men has been able for some

years to settle every dispute that has arisen without recourse to an arbitrator. I am told that in the negotiations which led up to this preliminary agreement, and also in the determination of details in its subsequent operation, it has been found an easier task to persuade the men than the masters. This fact, for which perhaps a ready explanation is forthcoming, is verified by the experience of the Conciliation Board of the London Chamber of Commerce, and also by that of Mr. Ritchie and the Board of Trade, in the recent attempts to apply the voluntary provisions of the Conciliation Act of 1896. But we are only concerned with it here in so far as it encourages us to believe that the ordinary British workman is endowed with at least as much intelligence and sense of justice as we naturally expect to find in the average Englishman.

Now, without expressing an opinion upon the justice of any particular form of alliance (which may reasonably be left to the good judgment of the parties directly concerned), surely we should be prepared to welcome any such mutual agreement between the masters and men who are jointly responsible for the well-being of their trade. Simply by itself, it is a good thing to have so far diminished the chances of industrial war; or, if war must needs break out, to find, as in one recent instance, the men on strike receiving full wages every week for some months from the Employers' Association! No doubt, as has already been observed, an effective combination of this kind could wield a more strenuous power for any purpose than one of the great American

Trusts, which are concentrations of capital alone. But, even so, there need be no serious alarm as to the ultimate result. If necessary in the interests of the community at large, the State can always intervene at any moment, and, as Professor Ashley suggests, "assume the duty of, in some way, controlling prices." Such interference has already been attempted to a limited extent, and in an indirect fashion, by the Austrian and Canadian Governments. It should be observed, however, that, even in the case of the American monopolies, Professor Ashley is inclined to doubt whether these purely capitalistic associations have been wholly to the disadvantage of the general public. "They are shrewd enough to see," he says, "that a large sale at a low price may pay them better than a small sale at a higher price." And, as for the work-people, it is absolutely certain that those who are engaged in the metallic bedstead trade have greatly improved their wage-earning power, and have also secured a more permanent employment by means of the new alliance. In the last resort, if at any time they become convinced that they are not being treated with justice, they will be no less free than they were to appeal to the barbarous method of a strike, and will possess the additional advantage of having acquired a stronger trade union for fighting purposes than had previously existed. No doubt they have now given strong pledges against any rash recourse to open industrial strife; for which, surely, we should all feel most thankful.

Perhaps the most interesting part of the New Trades

Combination Scheme, from the theoretical point of view, is the proposed system of cost-taking. For the details of this new method I need only refer to Mr. Smith's explanation, and to Mr. Addinsell's concise and instructive statement, which, as expert evidence, is singularly convincing. It is, perhaps, not altogether surprising, in face of our acknowledged lack of scientific commercial training, to be told that comparatively few British manufacturers possess an accurate knowledge of the real cost of the articles which they offer for sale. But, to whatever extent such ignorance prevails, it must be set down as a grave and highly dangerous defect in all business affairs. As for the obvious difficulty of arriving at the precise cost of each particular part of a long manufacturing process it is reasonable to believe, as Mr. Addinsell shows, that the process becomes much more scientific and accurate when assisted by the mutual comparison and criticism of all the members of a trade associated together for this purpose.

With regard to the principle which underlies this system of cost-taking—the principle, namely, that goods ought not to be sold for less than cost price, except under very exceptional circumstances—I am bound to say that it appeals to my sense of what is economically sound and just. Of course, as a matter of fact, the cost of production—including, that is, not only the value of the materials used, but also the wages of the labour and the remuneration of the capital employed in the business—does, under any circumstances, and however roughly defined, more or less determine the price at which a

thing is first offered for sale. But, owing to what Professor Marshall has called "the cruelty and waste of irresponsible competition," the limit set by the actual cost of production is not unfrequently transgressed. In order to check this unfortunate tendency, which, in the long run, is sure to depress the standard both of wages and of profits, various expedients have been devised on the part of both the capitalist and the workman, and with a certain measure of success. The Government, too, by the famous Fair Wages Resolution,¹ passed in the House of Commons on February 13, 1891, has accepted the principle that "standard" or "current" wages shall be a check upon the competitive bidding for public contracts; and an increasing number of municipal and other public bodies throughout the country have adopted a similar policy. But the practice of selling at less than cost price, either through ignorance or with the object of ruining competitors, is still far from uncommon over large areas of English commerce; and, where trades are poorly organized, or perhaps not at all, it entails disastrous effects upon all concerned. From this point of view, therefore, there should be no serious objection to a scheme which avowedly seeks to regulate selling-prices by the actual cost of production.

For the benefit of any who may yet be inclined to

¹ The resolution is to the following effect: "That in the opinion of this House, it is the duty of the Government in all Government contracts to make provision against the evils recently disclosed before the Sweating Commission, to insert such conditions as may prevent the abuse arising from sub-letting, and to make every effort to secure the payment of such wages as are generally adopted as current in each trade for competent workmen."

think of human selfishness as a delicate hot-house plant which requires tender nursing, or who may fancy that the effective desire to accumulate riches must be tempted by the boundless prospect of unlimited profits, it may be well to add that, while the New Trades Combination Scheme aims at bringing the competitive forces under moral and scientific control, it does not seek to eliminate them altogether. It does not propose, for example, that prices should be regulated in the arbitrary fashion adopted by certain vendors of proprietary articles, who, by "iron-clad" contracts, can fix the selling-price of their goods out of all fair relation to their actual cost. On the contrary, the association only determines the minimum amount of profit which each manufacturer shall place upon his own costs. That is to say, every incentive is given to the more enterprising men in the trade to cheapen the cost of the articles they produce, either by improvements in the machinery used, or by purchasing the raw materials required in large quantities, or by any other method of economical management. Any saving secured by these means is the legitimate reward of the man who discovers the new economy. Thus, the system does not propose to eliminate competition, but only to direct it into healthy channels. It wards the competitive forces off dangerous paths, such as the "sweating" of goods or of wages; and then allows the fullest and freest scope for every effort to develop the trade to its highest capacity by any kind of economy that business ingenuity can devise.

But, while some of us may be willing to assent to the

proposition that the actual cost of production should determine the minimum price at which any article should be sold, we may at the same time be disposed to wonder whether there will also be a maximum price. What guarantee is there, it may be asked, that these powerful alliances, when once they have become firmly entrenched in a paramount position, will not impose excessive prices upon the public? This, it must be confessed, is the most vulnerable side of the New Trades Combination Scheme; and, indeed, after giving full weight to every argument that can be brought forward to extenuate the risk, the risk still remains staring us in the face. Reference has already been made to Professor Ashley's opinion as to the general influence upon prices which has been exercised by the American Trusts; and Mr. Smith's plea for confidence will be found in the chapter devoted to this question. In addition to these, one or two suggestions may be made. First, that under any circumstances we have no sure guarantee against exorbitant prices. And secondly, that it is overcapitalization rather than combination which is the more serious danger against which we have to be on our guard. Now, in regard to both of these dangers, it may reasonably be urged that an alliance of capital and labour, pledged to advance selling-prices only by mutual agreement, may afford a real and effective check upon excessive profits, and also upon any extravagant attempt to overcapitalize. At the very least it may be said that the interests of the public are better safeguarded by the present organization of the metallic bedstead trade than they would be if, for the sake of

comparison, we assume it had been bought up by Mr. Hooley, and manipulated by him in his well-known manner. Nevertheless, the Bishop of Durham's criticism,¹ to the effect that the scheme provides "no effective limit on the 'fair profit' which is to be charged," will generally be regarded as the most serious objection from the side of the ordinary consumer.

On the other hand, I have reason to believe that there is a growing social conscience in this respect among retail purchasers. The experience of the Christian Social Union in promoting the practice of preferential dealing proves beyond a doubt that more and more people are recognizing their moral obligation to pay a just price for the articles they buy—a price, that is, which is sufficient to insure fair conditions for labour and a fair reward for capital and business management. However, the uncomfortable suspicion continually intrudes that, in every business transaction, or "bargain," to use what has become a sinister term, the two parties are apt to try to overreach one another. This is obviously a relic of our unfortunate experiences in the past, and will probably persist in tormenting us till both sides have learned to place a little more confidence in each other's capacity for honesty and fair dealing. These qualities do, in fact, exist, at all events potentially, to a much wider extent than some good people seem to imagine. And the present mischief has been largely caused by the fact that, owing to our lack of a robust and practical faith in the elementary principles of morality, we have not expected

¹ *Economic Review*, April, 1899: "The Organization of Industry."

to find such moral qualities in the ordinary transactions of everyday business. It may be well, then, to try the experiment of a generous trust in the practical men of business, whenever they are willing to come forward and explain a definite system by which they mean to work. Surely any system which avowedly aims at meting out justice to all concerned—to the workman and consumer as well as to the manufacturer and the middleman—would be far better than the peculiarly selfish and haphazard way in which buying and selling is usually carried on. Here again, for the sake of waverers, it may be remarked that, in the last resort, the consumers can always assert their supremacy. Either by a strict application of the boycott, or by means of legislative measures on the part of the State, they can compel some abatement of exorbitant prices; or they may even propose more drastic remedies in the direction of State Socialism.

It will be obvious that very little has been said here by way of criticism. Such criticism, however, has not been wanting in the earlier stages of the movement, and will certainly not fail to be conspicuous in the future. Quite apart from the stray Individualist, who perhaps may safely be ignored, the trade unionist and the Socialist, the advocate of profit-sharing or the self-governing workshop—in short, all who have another clear and ready plan of their own—will probably be to some extent critical of any new scheme which may seem to get in their way, and which, at all events, is not their special remedy for the social ills which we all agree in deploring. But, after all, no single one of the numerous and more or less

excellent proposals that have been set before the world is likely to accomplish just by itself all that is required : and certainly not a single one of them is above criticism. It need not, then, be considered wholly inconsistent if an impartial observer finds it possible, not only to criticize, but even to encourage each and all of the many really honest efforts that are being made, from widely different points of view, to help forward the coming reign of economic justice and industrial peace.

J. CARTER.

ITS PRINCIPLES AND METHODS GENERALLY EXPLAINED.

IN proposing a vote of thanks to the chairman of one of his meetings in the Birmingham Town Hall, on October 12, 1894, the Right Hon. Joseph Chamberlain, now Secretary for the Colonies, made the following remarks :—

" Gentlemen, if you will allow me, we have one duty to perform. You will allow me to propose that a vote of thanks be given to Mr. Smith, the chairman of this evening's meeting. I do not know that any one could more appropriately have presided upon this occasion, or that we could have had a better chairman at a meeting to consider social questions, for Mr. Smith himself is a great pioneer in that matter.

" I do not know whether you are aware that, within the last year or two, he has carried out, in connection with the trade with which he is connected, a great social experiment, the results of which have been truly marvellous. In a trade in which formerly every one, whether workman or employer, was dissatisfied, he has brought contentment. Wages, I believe, have been increased, profits have become larger, and, curious to relate, the demand and the production have increased at the same time. This experiment, I believe, is capable of great development. I understood when I was last in Bradford that a great trade in that city, acting on Mr. Smith's suggestions, have agreed to adopt the principles upon which he has secured success. Those principles involve a hearty union between employers and employed, and I trust that all who find themselves in a difficulty will, at all events, give some consideration to the solution which Mr. Smith believes he has found. I am always glad that a new light should proceed from Birmingham ; and if Mr. Smith is successful in dealing—as I think he may be—with many of the most urgent of our social problems, he will have gained from us an additional claim to our gratitude and respect."

2 *The New Trades Combination Movement.*

At that time the New Trades Combination Movement was, excepting in its application to one particular trade, scarcely known. Not many public men had heard of it ; and of those who had, few believed in it. More recent events have proved that the judgment of Mr. Chamberlain was not at fault, or his advice to trades in distress out of place. On February 17, 1896, Mr. William Woodall, M.P. for Hanley, Staffordshire, and Financial Secretary for War in the late Government, at a joint meeting of employers and employed, held in Hanley, while addressing the meeting on the subject of trade combination, said—

“I am not quite sure as to how much of real originality there may be in Mr. E. J. Smith's scheme. I suppose most of us have had our theories as to the way in which what he is bringing about should be accomplished. Speaking for myself, I may say that I have thought about it for many years, and I have conceived many plans whereby I could properly divide the profits of my business between my work-people and myself. Unfortunately, I could never carry any of them out, for the simple reason that I could not make any profits to divide. The difference between Mr. Smith's plan and any other seems to be that he first makes the profit for use, and then shows us what we ought to do with it.”

This is the opinion of a clear-headed and able man of business, then held down by reckless competition and under-selling, but willing to test in one of his businesses a scheme which has proved thoroughly successful elsewhere, and which has now succeeded in his own.

Sir James Smith, ex-Lord Mayor of Birmingham, speaking at the annual dinner of the Bedstead Manufacturers' Association, held at the Grand Hotel, Birmingham, on January 30, 1896, said—

“I think that not only the manufacturers, but the public and work-people have profited by the work of our association. Since the association was formed, the work-people have had their wages increased to the extent of 25 per cent., which is equal to the addition of £1000 a

week to the wages paid in Birmingham ; and I have reason to believe that the wages have been well spent, while the work-people have improved in character and self-respect."

These are the opinions of three only of the many public men who have expressed their views of a movement which has now stood the test of years, and the success of which, up to the present, cannot be denied. It is, nevertheless, comparatively speaking, in its infancy, and, like most other movements which aim at creating a new order of things, it has suffered not only from prejudice, but from want of proper knowledge of its principles and objects. The time seems to have come for an attempt to remove this prejudice, and to supply the reading public with more information from which to judge of its character and merits. That it is a bold, and in several respects an original scheme, intended to change the whole system under which manufacturing is carried on in this country, is admitted. The *Times* of January 3, 1896, states that "in miscellaneous industries the trades combination movement for regulating prices and wages continues to spread ;" but not even the *Times* can be aware of the extent of the progress it has made even since the statement was written. If, therefore, it is conceded that the scheme is bold, original, and progressive, it should be well worthy the attention of those who deplore the present condition of many trades, a condition brought about by unnatural—almost brutal—means, which produces bankruptcy among manufacturers and misery amongst work-people. Among the many schemes which have been suggested for the purpose of improving matters, the one I am advocating has, at least, fair claims to intelligent and careful consideration. At the outset, I wish to disclaim any pretension to a profound knowledge of economic principles and theories, as propounded by teachers of economic science. I am not conscious of any collision between the plan I suggest and the well-known conclusions of economists ; but I approach the question from an entirely practical point of view. It is one thing to theorize concerning the remedy of a great evil, it is

another thing to put the remedy into practical operation. This movement has long outlived the theoretical stage. It is a living, tangible fact. It has accomplished in some trades what every trade must desire ; and, in the interest of trade generally, it seems necessary to explain how.

Since writing the articles in the *Birmingham Daily Post*, *Machinery*, and the *London Daily Chronicle*, it has been brought home to me very conclusively that not only the public who read, but the journals which profess to teach, need very much information before they can form any just opinion as to the principles upon which the combination movement is built, or the methods by which the principles are carried into effect. It was natural to expect that the daily papers, which are written for the public, should take what they considered to be the public side of the question. Later on, I shall endeavour to show that what is called "the public" have an interest in the movement of quite an opposite character than that suggested by some of the daily papers, and that, in fact, the public reap advantages from its success. Until this question is settled, I cannot complain that some of the papers have been opposed to the movement. All I complain about is, that the newspapers do not lead ; they only try to follow their own interpretation of public opinion. Surely our newspaper writers should ascertain for themselves the merits or demerits of any scheme which affects the public interest, and have no right to express any decided opinion until such information has been gained. My complaint is that, instead of seeking information, some have, from the first, made up their mind that this scheme was opposed to free-trade principles, and that in the proposals were included, not only the old restrictions of ancient guilds, but more modern tyrannies, like those of the American trusts and monopolies of every kind. Had their premises been beyond dispute, the conclusions at which they arrived could have suggested no other course than to write the movement down ; but their premises were altogether wrong, their conclusions unwarranted, and their attacks upon the

system unjustifiable. I must admit that this did not matter, since from the very beginning the scheme to improve trading practices in this country rested on its merits. Business men who carry on their trades for the purpose of making profit never care what the newspapers may say about them. When they fail through underselling, it is no consolation to them to have it pointed out by the daily papers that they have been reckless and improvident. When they succeed, it does not bring them in a penny more to be complimented by the daily papers for their business ability and wise management. A business man stands alone ; he has to carve his own way to success : and by the measure of that success he is praised or blamed. But there is one phase of this movement about which a few of the newspapers have been strangely at fault. It is very well known that there exist in this country rings, pools, trusts, and monopolies of all kinds, by which single firms, or a few firms combined, have managed to heap up in a very little time large fortunes. These monopolies are seldom discussed in the daily papers. The aim of the promoters has always been to work in the dark as much as possible, to control in every way the law of supply, and to take every advantage of the law of demand. They are pointed out as successful men of business, and no odium is permitted to attach to the means by which their wealth and position have been gained. If this means anything, it means that all you have to do is to be 'cute enough not to be found out until you have succeeded, and to succeed to such an extent that your very measure of success commands admiration. Either the daily papers keep a sharp look-out for commercial immorality, or they do not ; and when this kind of thing is permitted not only to pass unnoticed while in progress, but is commended when it has succeeded, it cannot be consistent to condemn a scheme with objects more moderate, and, as I think, more commendable.

The idea sprang from the conviction that the traders of this country, in many industries, were working without profit, for

want of a mutual understanding. At its installation it proclaimed, as the first article of its creed, that no one ought to manufacture and sell an article without making a profit on the transaction. No one has ever yet been bold enough to attack this premise. It proceeded to show that without combination the obtaining of profit on every article manufactured was utterly impossible in some trades. The arguments by which this was proved have never been questioned, so that the foundation upon which the whole scheme has been built has been permitted to go unattacked. It was only when the remedy for a great and acknowledged evil was suggested that its opponents appeared upon the war-path with two weapons only, one being a charge that tyranny was intended, and the other that the public would be the sufferers. As to the tyranny, it no doubt remains, as it ever will remain, a matter of opinion. It is very difficult to say what is, and what is not tyranny. I shall try to prove that there is no tyranny in this movement, but that it is intended to combat tyranny. Whether I prove my case or not I must leave to the judgment of my readers. If coercion it is, it is of that kind which is absolutely necessary to prevent undue license. It is the determination of a community, which has to consider the interests of the many against the unthinking or tyrannical few. It is a crusade of intelligence against ignorance, of enlightenment against prejudice ; it is the outcome of a resolve to trade on fair and just principles, notwithstanding the wish of a few to do exactly the opposite. And not only have the principles of the scheme been clearly set forth, but the methods have also been openly explained. Nothing has been more clearly established than the fact that it is impossible to make large fortunes in a short time by this system, and that whatever is made, is made fairly by all concerned. Yet while the daily papers have allowed the great monopolies of the country to pass unnoticed, some of them have chosen to take up an aggressive attitude towards a plan which establishes no monopoly, and which simply has for its object the placing of every business upon good business lines.

I am not forgetting that recently some change has come over this attitude. True to their character of followers instead of leaders of public opinion, some have recanted altogether, and some are only sitting on a fence ; but the fact remains that they have condemned a movement of which they knew next to nothing, and did not even take the trouble to inquire into.

The first trade in which the movement was introduced was my own. As a manufacturer I had long felt the folly of selling without profit, and had long deplored for myself and others the inevitable consequences. All the old and familiar remedies had been applied, only to leave matters worse than before. For several years I was engaged in trying to convince my competitors that there was a better plan, and finally succeeded in convincing the whole of them that it was worthy of a trial. The testimony of the ex-Lord Mayor of Birmingham, who is a manufacturer in the trade, and a member of the association, but who was at first one of the most difficult to convince, describes the results far better than I can. Every word he spoke on the occasion already referred to, was absolutely true. After years of trial the movement in the bedstead trade has made no man rich. It has only assisted manufacturers in getting fair profits for the exercise of their brains, and the use of their capital. To the workmen it has given an increase of wages which is fairly proportionate to their share in the movement, and with which they are content. It has effectually put an end to all dissension between employers and employed, and has created a fellowship between them which perhaps has never been equalled in this country. Meanwhile, as an outcome of its first principle to put on profit only in proportion to the cost of production, it has given to the poorer people of this country bedsteads at exceedingly low prices, and in some cases even at lower prices than before the combination was formed. It is quite true that it has compelled those who can well afford to pay for luxuries to give a little more for the articles they must have, but on the whole it has only secured a fair and proportionate profit on

every article made and sold. All these are facts, which have been proved over and over again, and which have never been controverted in a single line in any newspaper in this country. Every attack has been made on the assumption that the scheme contained something which it did not contain, and which was never dreamt of by its promoter, or by those who adopted it. The plan would have failed long ago had it been unworthy the commercial traditions and instincts of the greatest commercial country in the world. It has succeeded because it is beyond the power of the daily papers to injure it in any way. In speaking thus of that portion of the press which has done everything in its power to condemn the scheme, I wish to do justice to other journals of a commercial character which have from the beginning given the system their utmost support. Many of them have from the beginning taken the trouble to find out what the movement really was, what its aims were, and what was the true measure of its success. Some of the daily papers have done likewise, and they have had no cause to regret the course they have taken. They have been the leaders, not the followers, of public opinion, and they have done very much towards inducing unthinking people to inquire into the movement for themselves.

In December, 1895, an article appeared in *Machinery* under the heading, "Is the Underseller a Criminal?" This is a question which has attracted a great deal of attention lately, and it will probably engage even more in the future. To me there has never seemed to be more than one answer. That the underseller is not a criminal legally, at present, is a matter to be deplored, but that he is so morally seems beyond question. It is true that it is possible for some traders to do a large amount of underselling, and still continue to pay their creditors twenty shillings in the pound. It is also true that fortunes have been made by some special kinds of underselling. It is, however, impossible to judge of the morality of an action from the measure of its success in special instances. Success to one

individual frequently means ruin to many others. There must be a principle upon which trading should be carried on, and that principle cannot be to sell articles at the same price as, or less than, the cost of production. That inventive genius may find better methods, and improve processes of manufacture which, by cheapening the cost of production, will, very properly, turn the current of some trade into one particular direction, is a matter of course ; but this is not underselling in the wrong sense. Ingenuity and enterprise in business must be followed and imitated, or the stupid or sluggish must suffer. Moreover, every opportunity must be given to industry and ability in business, and any scheme which aims at fettering or limiting either, cannot be universally adopted, or be for long successful. But every business man must know that these are not the causes of the underselling which ruins manufacturers, and drags even the skilled workman down to starvation wages. The kind of underselling condemned arises from two causes only—ignorance and recklessness. Possibly both are not equally criminal, but both are criminal nevertheless. Any trader having to meet his creditors from either of these two causes, and not being able to satisfy their lawful claims, is a dishonest trader, and should be so recognized by the laws of any country. The time will yet come when we shall follow the example of some other countries, and make this a criminal offence. It must be remembered that the effects of underselling do not stop with the underseller, or even with his creditors. He has probably succeeded in dragging a trade down to his own level. He has prevented honest men from gaining an honest living. He has flooded the market with an article for which, after all, there can be only a limited demand ; he has injured—perhaps ruined—the competitors who wish to do a legitimate trade. Also, unfortunately, his meeting with his creditors seldom ends his dishonest career. A composition is generally accepted, and he is permitted to continue for a further period a course which leaves ruin and misery in its train. It

is a scandal and a disgrace that such persons should be permitted to harass legitimate trading in a country which enjoys its great freedom because of its many restrictions of unwarranted license.

In the absence of help from the laws of their country, it is natural that traders should endeavour to help themselves. The scheme which proposes to assist in removing this evil is based on the assumption that no trader should sell any article at a price below that which will allow for the cost of manufacture and bringing into the market, with the addition of some profit, however small. It also provides a method by which any one may be prevented from doing so. Before further explaining the scheme itself, it may prepare the mind of the reader for the consideration of the new kind of combination if some attention is called to the defects of the old order of associations.

Their name is legion, for the evil has been so apparent and so deadly that almost innumerable attempts have been made to prevent it. The ordinary method arose out of the most natural conclusion to which any fair-minded and honest man could come. Traders fondly imagined that all that was needed was to call together the members of a trade, and, in a friendly way, make an arrangement with each other to cease from underselling. It was very seldom that all the members of a trade could be got together for such a purpose. Still, many of them would come, and would readily enough consent to an arrangement which the honest man would intend to carry out to the letter, but which the dishonest man would resolve to ignore as soon as possible. It afforded a splendid opportunity for taking part of the trade of a competitor. We all know the history of these associations. Buyers immediately laid themselves out to invent the most elaborate account of the manner in which members of a new association had broken their pledges. Some of the stories told were correct, but most of them were pure fabrications. Unfortunately the travellers and

agents believed everything, and were careful that the stories should lose nothing in their transmission to their several houses. When these reached their principals the same credulity was exercised, until the whole trade was up in arms, and the majority resolved not to be sold by their competitors. This led to the breaking up of the associations. Sometimes they lasted months, sometimes weeks, and sometimes only days, but however long they lasted only the rogues benefited by them, and always the last state was worse than the first. The days of these associations are numbered. Honourable men get tired, in time, of being tricked and deceived, and finally set their faces against any association of any kind whatever. This is one of the greatest difficulties the new movement has to put up with at present. Business men will not believe that there is a new scheme which avoids the evils of the old ones, and provides an effectual remedy. How should they? Success in many trades will be the only argument which will move these people to a consideration of new proposals. Happily this inducement is developing rapidly. Nothing succeeds like success.

Of course there have been other methods tried besides that of coming to an honourable understanding. There is an accountant's method, which insists upon a guarantee for good faith being provided in the shape of a deposit of a sum of money, which is forfeited if faith is not kept. There are two objections to this plan, one of which is fatal. The first is that it often takes out of a business useful capital which may be greatly needed. The guarantee must be in cash, as the law authorities seem agreed that there is no certain means of enforcing a bond entered into for this purpose only. The money must therefore be paid into an account, and must be forfeited in case of breach. Secondly, this kind of guarantee must be valued at exactly the amount of the first deposit. A manufacturer who wishes to break faith, for any reason whatever, has only to calculate the cost. If it will pay him

to forfeit the first deposit, he may do so, and he is at once a free man. Should he be found out against his will, or by accident have done something which forfeits his deposit, he is free just the same. It is only necessary for one man to assert his freedom, and the whole organization is upset.

There have been plenty of other schemes tried. There is restriction of output, and compensation to small makers by larger ones ; pooling the whole trade, and dividing the profits in proportion to the respective outputs ; the purchasing of certain businesses in order to establish a monopoly by a few ; the starving-out process, by which the richest live for a time on capital in order to kill those who have little or none ; and many other methods. It is not for me to say much about any of these plans. I do not believe in any of them. I have seen none of them succeed for long. Each one seems to be on a wrong foundation. There is neither righteousness, charity, nor true business principle in any of them. None of them help work-people in any way. They are purely selfish methods, by which more money can be made in a short time at any risk to the future. I was speaking to a manufacturer not long ago about one of these associations to which he belonged. Each maker had paid a deposit of fifty pounds, to be forfeited if any engagement into which he had entered had been broken. Some of the members had done this many times. "Why do not you enforce the penalty ?" was naturally asked. "What would be the use ?" was the reply. "Each would, after he had paid his penalty, be free to do what he pleased, and the association would have to be dissolved." Of course, in this case, the association was only a name, and the deposits paid might far better have been left in each business.

None of these expedients succeed for long in preventing underselling, and so they are of little value. Underselling still goes on, and wages are reduced as profits grow smaller. Not long ago, in a large Midland town, a manufacturer had to arrange with his creditors. He pleaded that he had failed

through the competition of another maker. These two divided between them entirely the manufacture of an article for which there is a steady and growing demand. They could not agree between themselves, and so they undersold each other, with the usual result. I have met with several trades lately of a most important character, but in which there were only five or six firms in the United Kingdom : yet for years they had made no profit, because they had undersold each other, and they had found it impossible to come to any common agreement. There are scores of such trades in this country. There are scores also of large companies with ample capital, every necessary appliance, and with good management, who yet cannot pay any dividend to their shareholders.

In the Birmingham daily papers, December 10, 1896, there will be found a report of a meeting of shareholders of a large public company which had for, I believe, eight years, presented a report to the effect that there were no profits to divide. This company had been formed for the special purpose of creating a great monopoly in a particular trade. Large capital had been subscribed, and certain businesses had been bought up. For some reason, with which I am not concerned, and do not care to enter into, the scheme failed, as I think all such schemes should, and the company found itself overcapitalized without the enjoyment of the monopoly which it had thought to obtain. After years of wearisome struggling for profit, it joined with the other makers in the trade in a resolution to try the new combination scheme, which, while it did not attempt to establish monopoly, did insure dividends for shareholders.

In the reports of the meeting, it will be found that the only hope held out by the chairman of the meeting was the fact that I had been requested to form a combination in the trade, and that the work was nearly completed. I am hopeful that future reports will show dividends ; but I cite the case only in proof of what I have just said. It must not be supposed that

failure arises from the effect of foreign competition. Of course foreign competition exists in respect to some trades, and it is very necessary to provide for it when it does exist ; but often it is only a name, a bogey which frightens home-makers into underselling, an invention of customers or agents for the purpose of getting lower prices. Even where foreign competition makes itself felt, it is often a fact that it is the foreign maker whose prices are forced down by the insane underselling in this country. I have had to approach foreign makers on this matter, and it has been proved to me over and over again that the fault did not lie with them. Moreover, it is seldom that the foreign maker is unwilling to come to some arrangement, if he can have given to him an assurance of stability, which can come only from the formation of a well-organized association. The first thing to remedy is not foreign competition—it is the competition amongst ourselves. It will be time enough to talk about foreign houses when we have set our own in order. At present every maker has for competitors every other maker at home, and every maker abroad too.

There can be no doubt that work-people suffer from all this. How can they fail to suffer ? Every possible means must be used to cheapen cost of production. Unfortunately the first expedient is, generally, to reduce wages. This is brought about by many methods. It does not follow that, because a trade does not meet and resolve to lower the rate of wages all round, wages are not lowered. Workmen are not organized in every trade ; but a general declaration that wages are to be reduced awakens a spirit of hostility amongst them anywhere, and they will sometimes fight even without organization. Generally, they are assisted by those who are organized, and public sympathy may also be counted on to some extent when an open declaration is made that wages are to be reduced for the purpose of enabling employers to sell more cheaply. The public know that they will be able to buy at lower prices ; but the thinking portion know also that the question does not

end there. The evil is not remedied. Every penny extracted from work-people's wages will at once be given away in the selling-price, and in a few weeks, or months, manufacturers will be as badly off as ever, while their work-people will be in a worse condition.

Strange as it may seem, a falling in selling-prices does not always encourage trade. Buyers will not speculate in a falling market. They can recognize the downward tendency. It is their business to read the signs of the times, and the smartest buyer is the one who knows when to buy. It is true that to bring an article within the purchasing power of the general public will increase its sale. There are always means of doing this without starving work-people. But in the large majority of cases wages are reduced without increasing the sale in any way. Moreover, the public do not want the work-people to be starved. Low wages means small purchases by working people. They cannot live so well or pay their way so promptly. They have to live in smaller houses. There are thousands of landlords and shopkeepers who must trust them to some extent, and the security grows less as the wage-earning power is reduced. A feeling of insecurity is produced, shopkeepers fail, stocks are kept low, and trade suffers. On the other hand, fair selling-prices, on which profits are obtained, accompanied by a determination not to sell without a profit or to reduce wages in order to make one, bring a feeling of security, and insure steadiness in respect to both purchases and sales; work-people earning good wages are good customers and prompt payers, and trade generally improves.

Everybody seems to recognize this but manufacturers themselves. To the worst of these there seems to be but one remedy for poor profits. Wages must be reduced, and this is done by every possible means. Old servants receiving good wages are got rid of, and new hands employed at lower rates. Every change is made with the one object—that of reducing wages. It has lately become a favourite device to leave a town where

work-people can protect themselves, and build factories in country districts where wages are lower, where work-people are more dependent, and where love of their homestead, owned, it may be, for generations, is a sufficient guarantee that they will put up with much, rather than imperil their situations. This is not an indictment against the good nature or humanity of manufacturers generally. I have found plenty of cases where the condition of the work-people is apparently of small interest to manufacturers, but this is by no means the rule. Employers have recourse to desperate expedients because they must, if they are to live. They do not wish to undersell, but they cannot afford to lose their trade; they do not wish to reduce wages, but they know of no other method whereby they can keep pace with some of their competitors.

A trade may have gone on prosperously for years, good wages may have been paid, and the public may be satisfied with selling prices. Then some one resolves "to develope his trade," builds larger works, increases his plant, and, finding that he has increased his working expenses, resolves to get more trade at any cost. Or a newcomer enters the business, and finding that he cannot get a connection without giving buyers some special inducement, he does so by way of reduced prices. But old-established houses do not willingly see their trade passing into other hands. They follow him, often pass him in selling-prices; a panic sets in, it becomes a race for trade, and the rest is only a matter of time. The public gets the article cheaper, but in the end everybody suffers—even the public.

The calculations of political economists have been at fault here. The late Mr. E. A. Freeman believed and taught that competition would find its own level and provide its own cure. Manufacturers, he said, would not go on selling without a profit, and in time undue competition must cease. He was only right in the sense that if a man can get nothing to eat he must of necessity die of starvation. But a man

passes through many stages before he comes to this. He will change the quality of his food for something more easily obtained, he will learn how to live on less, he will beg—sometimes steal. He will live a long time before he has exhausted all these resources. A manufacturer is only a man. He will decrease his expenses—not always a good thing for the public ; he will beg by paying his creditors a composition of half their just claims, and obtain permission to go on ; he will steal by taking away from his work-people their fair wages to which they are entitled. He will die hard, if at all, and his disease is infectious. He will drag others down with him, and leave ruin behind him. And all for what ? That political economists may be vindicated, and be able to prove to the world, what every one knows already—that there must be a depth beyond which no man can sink. Surely the lesson is dear at the price ! The impulse of humanity is to rise. We do not want to sound the depths of misery and starvation in order to establish the cold calculations of the philosopher who sits at home and dreams, and sells his books at the highest prices he can get for them, although they only teach us to sell everything we make at the lowest prices we can by any means offer. These economists laugh at the old Trade guilds, regulated by properly appointed officers, representing the employers and employed, insisting upon profitable prices being obtained, and fixing the proportionate wages to be paid.

We have grown so wise that the wisdom of our forefathers is as foolishness to us. We are not expected to stand still, but in our rush for progress there is no necessity to go mad. We are not called upon to give up our principles of right and justice, to sacrifice our instincts of humanity, and to bury even our common sense because we have amongst us a sprinkling of foolish and unprincipled people. Our fathers were wiser than we, at least in this respect. They did not fetter liberty ; they only restrained the dangerous who were so either because they could not help it or because of their determination to sink

their human instinct in their greed. We have built more lunatic asylums than they did, but we often put the wrong people in them; or we have not built half enough. We have amongst us, walking about with bland exteriors, sought after in social life, even regarded as models for their fellow business associates, men, who in their mad race for wealth and business supremacy are far more dangerous to the community than half the lunatics whom we guard so carefully. It seems necessary to speak thus plainly. The fact is impressed more and more upon me daily. Restraint is as necessary in this matter as in many of the others which have led us to make restrictive laws. There is no wonder that, with such men in existence, any movement which contains an element of restraint is opposed. They will fight to the uttermost rather than be in any way restricted. They claim liberty—liberty to ruin other people, to make capital a drug in the market, to create bankrupts, to drag down their operatives until they have to struggle for existence, to make it necessary to flood the market with shoddy goods. They talk loudly about foreign competition, but none have done so much as they to drive away our foreign trade.

If England's supremacy in trading is threatened, it is far more because of our quality than because of our prices. Over and over again have I been requested by middlemen to supply anything, so long as the price was low. Refusal has lost trade, but such trade had far better be lost. Such middlemen—merchants generally are not here alluded to—encourage the manufacturer who will supply them with shoddy goods to raise the cry of "coercion," "tyranny," "boycotting" when any attempt is made by any agreement to prevent a trade from being dragged in the dust. They and their confederates spread ruin all about them, and they clamour for the right to continue their evil practices. The days of their tyranny are numbered. The country is growing tired of playing at business, it is growing tired of dictation by a small minority in most trades. If power is to be used, let it be exercised by a majority,

and let it be done in order—with method—with an object which will be stated in honest terms, not in misleading hypocritical catch phrases.

There is only one honest way of doing business, *i.e.* to make the best article you can for the money, and to make some profit out of the transaction. You have no right to either cheat your customer or to ruin your competitor by selling goods at less than it costs you to produce them.

We are told that capital has a right to run risks, and to sell for a while at a loss for the purpose of making a connection ; which means that rich men have a right to take away the customers of poorer men by beginning to sell at prices which they cannot continue. Capital has no right to do anything of the kind, and, if the laws of the country will not prevent it, common sense and good organization must. If honourable-minded employers cannot prevent it amongst themselves, they must call in the services of their work-people, and pay them for the help they give. There is justice as well as reason in this course. Both sides have suffered by the practices of the past. Both sides must help to remove the evil ; both sides must benefit from the result. This is the principle which forms the foundation of the new movement, the methods of which I will now explain.

It must not be supposed that the reckless and even criminal underselling which I have mentioned is the result only of a deliberate intention by manufacturers to undersell regardless of consequences. There is, unfortunately, another reason of a far more dangerous character than even a determination to beat all competitors in selling-prices. Ignorance and indifference are probably the two worst evils in the world. The man who openly and deliberately adopts a policy of underselling may be dealt with ; the man who undersells because he knows no better is, if left to himself, almost beyond redemption. Until a few years ago, I was under the fond delusion, in common with most people, that this person was only one of a small

minority, and could not be a very important factor in the consideration of this subject. I know better now. Speaking for some twenty trades which have come under my immediate notice, I should say that such manufacturers are in a majority. It is fair to suppose, probably, that these trades supply the worst cases. It is only natural to expect that the trades which are nominally bankrupt, or approaching that condition, would be the first to call in outside aid, and be disposed to court even what might appear to be a forlorn hope.

I do not wish to cast reflections upon any one who does not deserve them. I can only speak of that which I know. There may be many trades carried on by men who believe in the necessity of correctly taking out costs. I have, however, reason to suppose that the trades with which I am connected for the purpose of bringing about combination fairly represent the majority of the trades of this country. They are many and varied. They belong to no particular locality, but reach from the midlands to many industrial boundaries around. Some of them are of the largest and most important of our industries, some are of the middle class, and some are small and almost exclusive. There is variety enough among them to supply illustration sufficient for all purposes. They have not quite all adopted the combination programme, but they have all recognized and acknowledged the necessity for some alteration in their methods of doing business.

Manufactures which have come under my notice include metallic bedsteads, spring combination mattresses, metal and cased tubes, spun brass mounts and ornaments, rope and twine, metal rolling, fenders, china door furniture, china electrical fittings, galvanized sheet iron, ironplate ware, coffin furniture, pins, marl, common building bricks, and jet and rockingham (potteries) ware,—a variety which seems to leave nothing to be desired. If these do not afford sufficient material for the practical testing of an experiment, I shall be glad to know what could be added. Speaking for these and of these, I have

no hesitation in saying that the one evil in each and all which has most impressed me is the marvellous absence of really useful and practical knowledge as to the cost of the article produced. I found this evil in my own trade, and I have found it in every other. It is not always an acknowledged evil. Moreover, I have been much abused for daring to say the evil exists. Yet this abuse has come, not from the members of the trades to which I have referred, but from the critics who write to the papers, and who are seldom tradesmen at all—that is, they are not manufacturers. I have been taunted with venturing to teach experienced men things of which I can know nothing, while they are naturally supposed to know everything. I do not care to answer this. I will only say that, even if the criticism were just, it should come from the persons interested, and not from those who are in the position which they are pleased to suppose I occupy. It has always been my first endeavour to ascertain how far in any trade a knowledge of cost-taking has been gained. Whenever I find a trade that needs no guidance, I shall only be too glad to be relieved of the necessity for obtruding my own notions. Until I find such a trade, I am justified in assuming that cost-taking occupies a far less important position amongst manufacturers than I consider it deserves. It is a matter which I have always approached with the greatest diffidence, and I have never been surprised to find that my first suggestion on the subject is received with good-humoured ridicule, if not with contempt. A leading inquiry as to whether the cost of production has been ascertained is usually met by a question as to whether I think business men have been so foolish as to neglect so necessary a preliminary to the safe conduct of business. I expect this, and have become accustomed to it. Nevertheless, I am sceptical, I feel it to be my duty to push the inquiry a little further. It is not a difficult matter to find out the truth. All that is needed is to take some ordinary article made in the particular trade on hand. A list of materials, and of the

processes of manufacture for which wages have to be paid, is drawn up. An attempt is made to determine the prices paid for the materials, and the wages paid for each process.

Then the revelation begins. Speaking generally, about one-third of the members of the trade possess some distinct or trustworthy knowledge of the charges which should be set down for each. The other two-thirds know little or nothing about them, and are entirely dependent upon the minority for the necessary information. Persistent inquiry, however, and a comparison of opinion brings about a satisfactory conclusion. Then comes the question of dead charges, or working expenses. This is generally found to be a delicate matter, as no one cares to give in an estimate. Working expenses are always wrapped in mystery. Each member of a trade seems to have an idea that this item should be a secret, jealously preserved. There seems to be a notion that to disclose these figures would be to hand over to a competitor some useful information gratuitously. Each one is afraid to be the first to speak, and, knowing this, I generally ask that each person present should write down the amount on a slip of paper for the purpose of comparison. The result is, to say the least of it, instructive. It is generally clear that "Nobody knows!" The secret which has been so jealously guarded, is one which had certainly better never have been revealed. The estimates almost invariably range from 5 per cent. to 35 per cent. Now, it must be clear to everybody, that the difference between the highest and the lowest is of itself sufficient to account for profit or loss in a business. If one man can manufacture his goods with only 5 per cent. working expenses, and another man, making the same article, spends 35 per cent. in dead charges, both of them selling at the same price, the one must be losing money, or the other must be making a fortune. But it is not necessary to rush to this conclusion. It is far safer to assume that both are wrong in their calculations, and that there must be some reason for it. This leads to further inquiry as to the items which have been

included in the various estimates of these dead charges. The answers are generally bewildering. Views of the most conflicting character are advanced as to what dead charges ought to be. It transpires that some of the most important items have been altogether forgotten, or, when not entirely omitted, have been greatly under-estimated. There usually exists in the minds of some of the manufacturers an optimistic belief that things not specifically set down have been provided for somewhere else. What is most deplorable is that there is an all-round tendency to try to make the working expenses bring out the selling-price no higher than that of the keenest competitor. To hold your own in selling-prices seems to be everything. The cost of production is quite a secondary consideration, and as for proof of it, that must be necessarily problematical. Manufacturers wait patiently for the balance sheet at the end of the year. It is a pleasant surprise to find it is on the right side, and only a disagreeable necessity should it come out on the wrong side. Should working expenses be higher than estimated it is a pity, perhaps even a misfortune, which cannot be helped. Selling-prices must still be as low as those of other people. I do not say that manufacturers have the courage to assert this in the language which I have employed, but it is very soon revealed that the practice adopted by them has been suggested by some such train of thought.

A rude awakening to the knowledge of the facts becomes a necessity. This is best effected by placing before each manufacturer a written list of every item which should be included in making up the total of dead charges. When such a list is presented, it is interesting to note the effect it produces. Questions are rained upon me as to whether I am right in insisting on the inclusion of all these items. I am told that interest on capital *must* be a natural profit on trading. I sometimes find that petty cash has been altogether lost sight of. Where principals manage a business personally, any charge for their services is frequently omitted. A manufacturer who is

fortunate enough to own his manufacturing premises, neglects to debit his profit with anything in the way of interest on the purchasing price in lieu of rental. Depreciation on machinery and plant is often entirely forgotten, and smaller items are considered as altogether unworthy of notice. Many a time I have extracted the somewhat unwilling confession that selling-prices have been arranged solely from the price-lists of other well-known makers, who, it was assumed, knew what they were about, and must therefore be making large profits. Of course this is not the practice of all new manufacturers. There are some who take out their costs carefully enough, and who know for themselves everything that is needed in order to produce proper cost-sheets. But speaking of the majority in the trades which have enabled me to find out the true position, a belief has been forced upon me that cost-taking is rapidly becoming a lost art. I deplore the fact as much as any one, but I cannot close my eyes to it, and I have had opportunities of judging which have come in the way of few men. I say, without hesitation, that much of the evil of underselling arises from a want of knowledge on the part of some manufacturers in every trade as to the real cost of production. I therefore consider that the first essential reform to bring about, in any unremunerative trade, is to introduce a system of taking out costs founded on the practical knowledge and experience of the whole of its members. Every individual trader can supply some kind of information, and, from the whole, conclusions can be arrived at which will be both safe and sound. I have been reminded that in making this statement I am disparaging the services of the professional accountants, who are called in to assist in the making up of balance-sheets. I have no intention to do anything of the kind. I think the accountants are ready to acknowledge that they are often prevented from being of real service in this respect. Already many accountants have publicly agreed with me, and have given their testimony as to the value of the system of cost-taking which has been

built up as described. Most of them could do all I have been able to accomplish, and there is no doubt that on the questions of interest on capital, dead charges, and depreciation, if accountants could have their own way, their services would be much more valuable. But accountants are not always permitted to have their own way. They have their clients to please, and in private concerns have to carry out their clients' instructions. Besides, accountancy is of little service unless it includes a thorough examination into the whole details of a business. How many small manufacturers will consent to pay a fair charge for such an examination? They supply figures themselves which the auditor has to take for granted and make the best of. Frequently the result is a balance-sheet supplying very little more information as to the true condition of a business than a reference to a banking account would at once give; and even should an accountant be able to show that selling-prices are too low, of what service can the information be? Many a time have I been told piteously that it is useless to discover that an article costs a shilling to produce when it is being sold in the market for tenpence. Determination to make a profit means loss of customers, and so the selling at a loss must go on under the forlorn hope that it cannot last for ever, and that, after a few people have gone to the wall, matters will improve. It is indeed a forlorn hope. Some few go down, but others come in their places. Some are driven to an arrangement with creditors, and then go on again; but, whoever may go or come, the underselling goes on for ever. A certain knowledge of his costs of production may make a conscientious man more miserable, but, while he stands alone, it brings him no remedy.

A striking illustration which recently came under my notice is worth mentioning in proof of this. A trade which was in a very bad way invited me to see if anything could be done by means of combination to improve its condition. Yielding to my request that we should first ascertain why they

- were making no profit, a large committee was formed of manufacturers of every class for the purpose of testing a few costs. At the first meeting a very common article was selected and carefully dissected ; every kind of material was set down at the lowest possible market price of the day. Every process through
- which the article had to pass was carefully catalogued, and the average wages paid for each process was ascertained. Working expenses, cash discounts, selling commission and carriage charges were all agreed upon. The cost of a gross of articles was then taken out. The total came to £4 17s. 8d., while the selling-price of the day was £2 19s. 10d. Every one was astonished, and not a few were sceptical as to the correctness of the figures, while one member of the trade emphatically declared that on the selling-price there was a good margin of profit. The meeting was adjourned for a week, so that the figures could be tested by each manufacturer on his own works. At the next meeting the opinion was unanimous that nothing less than £5 5s. would show any fair margin of profit. The one maker, however, who felt so certain that the figures were wrong could not attend the meeting, as he had during the week been compelled to call his creditors together, and was holding a meeting with them on that very day. The first question naturally raised was as to the remedy for such an extreme case of selling at a loss. What remedy could there be but the adoption of some movement of combination which would be able to compel every member of the trade to cease selling without a profit ? Until that was done every member must sell at a loss or be content to surrender a large portion of his trade. No one was willing to do this, and so the underselling had to continue pending the formation of a strong association.

But there is one view of this subject which has been forced upon me, and which leads me to the expression of an opinion which I can scarcely expect to go unchallenged. It is that the best system of cost-taking adopted by an individual firm, and

built up on a consideration only of its own circumstances, is misleading to the majority of the members of the same trade, and that any system which would be useful and safe for a whole trade to adopt, must of necessity be imperfect as applied to any single business. I have never yet found that either the methods adopted, or the figures arrived at, by one well-conducted house are capable of general adoption by a whole trade. The varying conditions under which business is carried on, the differences in the various outputs, the fluctuations of the turnover in each, the opportunities which unlimited capital gives over capital which is limited or exists only in imagination, the varying rates of wages paid for processes, the different systems adopted for bringing the goods into the markets, and many other circumstances, make it impossible for a whole trade to adopt the conclusions arrived at by any individual maker. A system suitable for general adoption must of necessity ignore something, and perhaps even invent something. It must be based, not upon the experiences and opinions of any one maker, but on the united experiences of all, and the consensus of opinion throughout a whole trade.

There must be compromises in several directions. The great advantage which a large capital gives must be retained as legitimate interest on capital only, instead of being given away for the purpose of flooding the markets with productions at selling-prices, which cannot be charged by less fortunate firms without loss. Materials used in the processes of manufacture have their fair average market value, which most makers have to pay. The purchasing of large quantities of material at one time, and to be paid for promptly, will no doubt make the buying-prices lower to the lucky capitalist, but whatever advantage is gained in this way should be regarded as interest on capital, and retained. Such buying is purely speculative. It may or may not pay in the end, and the apparent momentary advantages should not, therefore, be used to lower the selling-prices of the manufactured articles made up of materials so purchased.

It is always easier to lower prices than to raise them. Any maker can lower his selling-prices without consulting any one, and he may succeed in bringing a whole trade down to his own level; but, if he wishes to advance selling-prices, he at once finds that there are others to consult. Without an association such consultation is of no avail. The mischief done with but little thought, and with no consideration for others, is not easily undone. It may delight the soul of the enthusiast in economics to know that the greedy manufacturer has been induced, by what is called "healthy competition," to part with his wares to the public at startlingly low prices. He believes in the greatest good for the greater number, and he is deluded into thinking that low prices must be good. It is not part of his teaching that some pity should be felt for the small manufacturer crushed by the capitalist. He has a comforting notion that the "survival of the fittest" is a grand dispensation of Providence. But he begs his conclusions. It is not the fittest who survive. They go down because they wish to be honest, and try their best to be so by asking fair prices for their goods. Capital survives, and tries to create monopoly. It appeals to the public for support by flaming advertisements and sensational price-lists, and the public think that this is the result of unrestricted competition by which all must benefit. All the while capital is trying to drive fair competition out of the market altogether. It first tempts the public and solicits its help to crush other makers, and, when it has succeeded, if it does succeed, it laughs at the public, and proceeds to charge much more than its wares are worth, knowing that its victims have no remedy, but must pay its price. This is called free and unrestricted trading. It is the greatest tyranny that trading can produce. Capital, which should bear the greatest burdens, is free, and the tyranny exercised by capital is unrestricted. If this is freedom, the price we pay for it is much too high. The liberty to ruin honest competitors in business is a blot on the traditions and laws of a free country. I have

watched the operation of this principle many times. I am glad to say that it does not often absolutely succeed ; but, whenever it does, it is the public who suffer, while the monopolist laughs in his sleeve, and talks loudly about the beneficial operation of economic law. But it is not always that even the capitalist is actuated by a desire to crush other people when he sells below cost. The working expenses of a large concern are often larger than those of a small one. The output must therefore be kept at high-water mark, even if that involves selling some articles at a loss, and, in the excitement of the race for supremacy, the real cost of production is often lost sight of.

It is from an observation of these facts that I have been led to believe that the very foundation of any movement intended to remedy the evils I have described must be one of education amongst manufacturers upon the all-important point of properly taking out their costs. There is no presumption in inquiring whether this knowledge does really exist in a trade. There can be no apology needed for introducing the system of cost-taking wherever it is found that no system already exists. I am afraid that the endeavours to form trade associations in the past, although full of good intentions, have always missed the mark in this particular. It is easy enough to work up enthusiasm amongst traders who are losing money, by showing them the immense advantages of acting together. Everybody is convinced of this before you begin. You have only to show them how they can act together and introduce a system by which they *must* act together, to convince them of the efficiency of your plan. But while you are doing this, you may be appealing to cupidity alone, not to true business instinct.

The business morality I aim at is, not to extract from the purchaser all you are able to get, but all you ought to get. The exact amount may be, and is, a matter of opinion ; but it must not be the opinion of a single individual, but that formed by the common sense of a community. The public have nothing

to fear from this. They have everything to fear when they are at the mercy of one or two individuals who are guided by selfish instincts only. My readers will be able to see from the foregoing remarks why I consider it essential to the success of a trade association that it should be founded on a knowledge, carefully obtained, of the real cost of production. It is part of my scheme to establish in every trade a system of cost-taking which, while it may not be all that could be desired when tested by the special circumstances of any individual business, is still all that is needed for the purpose of fixing throughout an entire trade a selling-price for each manufactured article which will bring a legitimate and reasonable profit to each maker without unduly taxing the purchaser. It can, as I have said, only be arrived at after discussion between all the makers, large and small, those with much capital and those with but little. It must fix the prices of materials, to be set down in costs from time to time, at their real market value. If some makers are able to buy more cheaply than other makers through special circumstances, it must insist upon their keeping the difference. Schedules of wages must be prepared, to be put down in the cost-sheets as the minimum charges for the processes of manufacture through which the articles have to pass. These wages need not be either the highest or the lowest paid in the trade. Whatever they are they must be used for the purposes of cost-taking only. They need not in any way affect the wages actually paid on the separate works. The question of wages to be paid I will deal with later on. Working expenses must be assessed only after mutual conference, and cannot be dependent upon the amount of the turnover in any given year. It is quite possible to find out the percentage at which they ought to be fixed, but only through interchange of opinion by all makers. They should be fixed only after it has been decided which items of expenditure they are supposed to cover, a list of which should be supplied to each manufacturer.

I think I have said sufficient to show why I feel bound to insist that, before any other steps are taken, the real cost of production must be ascertained.

I will now suppose that this has been done in some trade which is determined to adopt the combination principles. The process may have taken a long time. It is seldom done in less than one year, and sometimes takes two, but, being completed, it is easy to make out price-lists every item of which will produce a margin of profit. But here it is necessary to mention that it by no means follows that these price-lists are identical. There are very few manufacturing trades, indeed, which need identical price-lists. The principle upon which the cost-sheets are made up gives sufficient scope to each manufacturer to follow his own inclination in the compilation of his selling-prices. Should he care to make common articles only, light in weight, rough in finish, badly packed, he is at liberty to do so. He has only to set down the actual quantity of material used, the actual processes through which each article passes, the actual expense incurred in preparation for the market. Cheap articles must be manufactured—the public demand them, and when produced they must be sold at their true value. This gives every small maker, or the maker of common goods, either large or small, a fair chance. All that is demanded of him is that to the cost of production—taken out on association lines—there has been added the proper portion of profit. The maker of better articles, costing more to produce, must charge higher prices. Is not this fair, and just, and reasonable?

But up to this point nothing has been done in the way of creating machinery for the compulsory carrying out of this determination. Without such machinery nothing has been accomplished beyond removing some ignorance or misconception from the minds of the members of the trade. Before new price-lists can be issued it is necessary to ensure that those who issue them shall insist upon receiving no less. Also, it will be borne in mind that nothing has yet been done to

improve the condition of the work-people, or to bring about a better understanding between employers and employed.

This is the next step to be taken. Of course there at once arises a new difficulty. I am told that I have been asked to improve the condition of employers, and they do not see how this is to be done by raising the wages of the work-people. Moreover, there are always some employers who do not see the necessity for bringing the work-people into the question at all. All the old prejudice against trade unionism is brought to the front. I can do nothing but acknowledge that trade unionism has its bad side—the abuses of the system. But the very fact that the employers are extending the principle by adopting it themselves stands for something. Of course I can plead justice, and can easily prove that workmen have suffered as much from undue competition, for which they are not to blame, as their employers. I am compelled to go further than this, and show that without the assistance of the work-people the employers cannot hold together. Moreover, I am compelled to make it a *sine quâ non*, and refuse to go on with the combination unless the workmen are included in the arrangements. This leads up to the following :—

(1) The formation of an association amongst the work-people if none is in existence.

(2) The signing of a compact between the two associations to support the principle of trade unionism on both sides. Employers engage to employ none but union workmen, and workmen engage to work for none but union or association employers.

(3) The recognition of wages, and the hours and conditions of labour, existing at the time of the signing of the alliance, with an agreement that, so long as the alliance is in force, none of these things shall be altered, or at least made worse for the work-people.

(4) The payment of a separate bonus upon such wages, such bonus to be paid on the first pay-day after the issue of

the new price-list. The first bonus is not to be interfered with during the existence of the compact, but any further bonus paid in consequence of an increase of profits is to be subject to a sliding scale. Should profits, from any reason, be decreased, the bonus shall also be decreased in the proportion agreed upon; should they be increased, the bonus shall be increased also. The proportion of bonus is fixed upon the proportion which the wages bear in the selling-prices of the article. In an article made of clay this proportion will be high, so that the bonus must be small: in an article made of expensive material the proportion of wages will be probably low, so that the bonus can be larger. This is one of the incidences of manufacturing which must be recognized.

(5) The establishment of a wages and conciliation board, formed of an equal number of employers and employed, the secretaries of both associations acting conjointly, the chairman being an employer or a representative, the vice-chairman an employee. All questions as to rise or fall in profits, or the fixing of new prices, to be first submitted to this board, and all disputes between employers and employed to be referred to and settled by it. An arbitrator to be called in in case of a dead lock, whose decision must be accepted on both sides.

(6) Employers to have full control over the management of their works: that is, as to transferring a workman from one department to another, or making any change which does not either lower wages, or harden the conditions of labour, or increase the number of hours; also, in all cases of insobriety, irregularity, incompetency, etc. All questions, however, of wages, and the hours and conditions of labour to be referred to the board for settlement, if found necessary. No workman to leave his employment or to be discharged concerning any of these questions. In cases of dispute the workman to accept the employer's terms under protest until the question has been settled by the board. All decisions given, to be retrospective, so that no one can suffer by any delay.

(7) Although the board has no power to alter any of the wages or conditions obtaining at the time of the signing of the alliance, either side to have the right to bring before the board any exceptional circumstance for friendly discussion and advice.

(8) All expenses incurred in consequence of any decision of the board to be defrayed by equal contributions from ~~either~~ ^{both} sides.

It will be seen that, after this alliance is completed, the only possibility of a strike or lock-out must happen from some decision of the board upon which both sides are agreed. In such a case both sides would work together. As, for instance, the breaking away of any of the members of either association, or their expulsion from membership on account of violation of rules to which they have agreed. The late engineering strike could not have happened had the trade been regulated by these conditions.

The next step is to provide a fund sufficient for fighting, and all other special association purposes. Of course, the ordinary expenses of the association are met by periodical levies made on a return of the work-people employed on each works. The larger the number of work-people employed, the higher is this capitation tax. Thus, a levy may be made at the rate of 1s. per head on twenty employees; from twenty to fifty, 1s. 6d. per head; from fifty to a hundred, 2s. 6d. per head, and so on. This is arranged on the supposition that, the larger the interest in the trade, the greater the benefits to be derived from combination.

The guarantee fund is a special matter, quite distinct from management expenses, although made up on the same ratio. It is necessary that the association should be able to employ, at any moment, a large sum of money. To avoid the necessity, however, of taking this money away from the respective businesses, it is not asked that the cash shall be paid. Each member becomes responsible for the payment of some proportionate amount which is set against his name, only 15 per

cent. of which he must pay at once. The deed is kept until it is required, or executed at once, as may be agreed. A bank will advance the money, less about 15 per cent., to cover possible loss on a guarantee which is not a joint and several document. Should any of the money be used, the amount is included in the next levy, so that the fund may always be intact. It is invested in the names of two trustees, who receive an idemnity for its use for association purposes. There is an advantage in executing this deed at once, and depositing the cash obtained as a separate account. It will be at once seen that, in the event of any member breaking away from the association, he must leave behind him his guarantee for the payment of a sum of money which may be used for the purpose of fighting a defaulter—the very purpose for which he gave his guarantee.

The next step is to establish a department for investigation of complaints and suspicions as to breaches of faith. The experience of years has shown how this can best be done. It may be taken for granted that 98 per cent. of these complaints and suspicions are groundless, but each must be carefully investigated. The tales of customers, the gullibility of agents and travellers, and the suspicious nature of competitors have all to be reckoned with in this work. I have the control of many such departments, and my returns clearly show that no report can be believed until the necessary evidence has been produced. It is the duty of the department to obtain such evidence, if it exists. For this purpose the guarantee fund may be used. Any ordinary charge of underselling may be easily proved or disproved. Underhand practices are more difficult; but, in these cases, it is purely a question of the length of the purse. As the dishonest member is fighting with his own purse against the resources of the whole association, the chances are greatly against him. When a charge is substantiated, a fine is imposed in proportion to the size and nature of the offence. The name of the complainant is never mentioned, so that no friction

between members can arise ; and the name of the delinquent is concealed until the case is concluded and the penalty fixed, so that no personal feeling can influence the decision. I could fill pages with illustrations showing how difficult it is to evade detection of any illicit practice. My experience of this work is, that after a while every member discovers that it pays better to be honest than to attempt to evade the rule. Of course, the inquiries extend not only to selling-prices, but also to cash discounts, terms, and charges for carriage, every item of which is regulated by the rules of the association.

The carriage question is not an easy one to settle. My plan is to issue a carriage rate-book. In this the name of every town in the United Kingdom is given, and a colour added to each. Each colour means a rate which every member must charge. Thus each member is on an equality with the rest in respect to carriage charges in every town.

The middlemen—merchants and factors—are provided for (often by arrangement with themselves), by a special allowance being given to them, which is sufficient to enable them to sell at the same prices and terms as manufacturers. To this they are bound by agreement before being placed on printed schedules, showing who are entitled to the privileges.

The large buyers, who sell retail, are also provided for. They have the right of buying from each and every member, if they care to do so. At the end of each half-year they can send in to the secretary a return of their total purchases, with a claim to a rebate in proportion to the trade done with the association. The money is collected by the secretary from the members concerned, and sent direct to the customer.

Everything that I have mentioned so far is indispensable to the formation of a combination, but its resources are by no means exhausted when all these arrangements are carried out. I have so far been content to leave it to the judgment and experience of the members as to the adoption of other safeguards. Some associations adopt everything at the time of

formation, and these are the strongest combinations in the country. Some are content to go on with the principles and methods already described. They may, or may not, be quite safe, according to circumstances, but they can easily make themselves so at any time. The two principal safeguards, which are still open to them, are—1st, an arrangement with the persons who supply material to the trade; and 2nd, an agreement with every customer to whom they supply their goods. Both have been successfully adopted in some trades, but there is a strong feeling against the latter in other trades. Time will prove whether they are needed, but, as to their possibility, there is no question.

I have but little to add in conclusion. The scheme was not conceived in a hurry. I have had an experience which must have been useful to me. I have served an apprenticeship to my trade. I have worked as a journeyman workman. I have been foreman, manager, and traveller in turn. I have been an employer and manufacturer for fifteen years. I have, at least, had an opportunity for studying the question from every point of view. I have suffered as a workman from the injustice which I am now anxious to prevent. I have experienced the difficulties which come to a manufacturer from trade unionism when not recognized, guided, and taken into confidence. I have felt the strain which is caused by ruinous and suicidal underselling by unthinking or unprincipled competitors. My proposed remedy was devised in the interests of all concerned. It may be termed coercive; and it is coercive in the sense that it aims at compelling every one to do that which is right. It may be called utopian, but this is easily answered by pointing to results. Five hundred manufacturers and twenty thousand work-people can to-day deny this from their own practical experience of benefits gained. It may be described as a "one-man system;" but this is disproved from the fact that two combinations have been founded with no more help from me than an expression of good will. It may be said that the

scheme is still on trial. I agree to this, but can point to a test of seven years in my own trade. I have had more opportunities for testing its value than any other man, and I believe, with all my heart, in its justice, its practicability, and its durability. I am anxious to expose it to criticism; and chief amongst the questions I want answered is, How can such an association fail to do all that is necessary? And how can such an association ever break down?

A NEW SYSTEM OF COST-TAKING IN TRADE.

The following is a paper read by Mr. W. A. Addinsell, Chartered Accountant, of Birmingham, before a meeting of the Society of Accountants in that town. It is reprinted here because it is an independent testimony as to the value of an integral portion of the scheme, and gives a professional opinion formed after much personal experience.

BEFORE beginning to give you the reflections which it is my intention to bring before you, I feel that I ought to say, what may probably be in your minds already, that the subject is commonly accepted as being peculiar to the one person who is known to be the inventor of the plan, Mr. E. J. Smith. It would be impossible for any one else to adequately say all that can be said in defence or explanation of the scheme.

I do not wish to claim any credit which does not properly belong to me, so that at the outset I wish you to understand that the contents of my paper are to a great extent the outcome of my association with Mr. Smith, and the result of the many opportunities I have had of hearing his methods of explanation.

I have been requested to express my opinion and give my experience as to what is now generally known as the system of taking out manufacturers' costs, first suggested and brought into practical working under the new trade combination scheme •of which it is a most important part. In doing so, I wish it to be distinctly understood that in this system there is no

attempt to depart from any of the well-known principles, or even methods, of accountancy ; neither is it desired on the part of its suggester to reflect in any way on the methods of auditing which are so well known and accepted all over the country.

The new system became necessary for the simplest of reasons : before trade combination was aimed at, manufacturers were supposed to take out their costs of production, and to fix their selling-price from the results of such cost-taking. In this work services of accountants were often sought and their advice presumably followed. The new scheme does not question the value of such advice, or indeed attempt to override it in any way. It falls in with the methods, accepts the principles, and applies both. The only difference is that while cost-taking hitherto has been done by single individuals, firms or companies, the new scheme aims at sinking individuality, and making cost-taking an essential part of the duty of a whole trade, large makers and small, each being subject to the same methods, and each being called upon to accept the same results.

The difficulty of this will be at once apparent. It is commonly supposed that there must be a wide difference in the cost of production between the large and the small manufacturer. Curiously enough, however, even authorities disagree upon this question as to which manufacturer possesses the advantage—the large or the small producer. Each one of us must have heard the question many times. There are some who strongly assert that the large maker with his ample capital, his perfect machinery, and his large turnover, must be able to produce at lower cost than his small competitor with insufficient capital, his old-fashioned machinery, if any, and his limited trade. On the other hand, there are many who just as strongly maintain that the maker who spends little, because he has but little to spend, who makes best use of the humble means at his disposal, making up by personal work or supervision for the absence of what might almost be called scientific help, and

who, because he has a small turnover, puts up with inexpensive methods and cheap premises, must have an advantage over the more freely-spending large competitor.

In introducing the new scheme it is not assumed that either of the two opinions must be correct. It is rather assumed that, as there is a difference of opinion, no harm can come of further inquiry under circumstances which give a better opportunity of arriving at right conclusions.

Hitherto it has been left to individual opinion only, either on the part of manufacturers or on the part of experts engaged by them. The new scheme assumes that only by conference between manufacturers, large and small, and only by comparison after unreserved and frank interchange of ideas and opinions can truth be ascertained. Such conference and confidence in each other was once impossible. Combination has made it not only possible but absolutely necessary, and from this has arisen the system, supposed to be new, of taking out costs from comparison of ideas and experience throughout a whole trade, instead of leaving each individual maker to judge entirely for himself.

At a meeting of accountants there will be, I am sure, no need for me to enlarge upon the necessity for manufacturers to ascertain the cost of production before fixing their selling-prices. Professionally it must be to our interest to encourage a practice in which professional advice is necessary or advisable. But, coming to the ethics of the question, there is no likelihood of a division of opinion on a subject of vital importance to commercial prosperity in this or any other country.

Yet it is impossible to properly estimate the importance of this new system without realizing the fact that cost-taking is not considered to-day an indispensable factor in carrying on business. We may say it with shame, with hesitation, and in fear of contradiction, but if we are to be honest there are few of us who cannot say it with a clear conscience. I do not wish to pose as an authority excepting so far as my experience

must make me wiser than I was before, but I am, on account of that experience, able to say that there is amongst manufacturers to-day a lamentable ignorance, and, in many cases, even absolute indifference as to the real cost of articles they sell.

This is a deplorable state of things which everybody who values the commercial prosperity of this country must regret.

From this arises most of the cut-throat competition which forces manufacturers to do a large turnover without profit, or with so little that they would earn as much if they were not manufacturers at all. The worst of it is that the ignorant, incompetent, or reckless have the power to force other people to their level. It is not in the power of a single honest manufacturer to raise others to his level, but it is in the power of the dishonest manufacturer to destroy the prosperity of a whole trade.

From a knowledge of this fact, and with a desire to provide a remedy, the new system of trade combination, with its many phases, arose. It is not within my province to discuss any of these, excepting the one which forms the subject of my paper. What I wish to bring before you is the fact that it is now accepted by many trades that the wisest and safest thing to do, if ignorance is to be removed and recklessness restrained or controlled, is to take out costs of production by comparison of opinion and experience and after united conference and discussion.

That this has been difficult to bring about you will all be prepared to hear. The jealous guarding of what are known as trade secrets must be familiar to all of you. It is no libel upon manufacturers to say that in no walk in life has so much jealousy and distrust, to say nothing of dislike, been engendered as between business men of this country. The large maker has regarded the small maker as an interloper whom it was quite fair if possible to destroy, while the small maker has regarded large ones as monopolists whom it was his duty to harass in every possible way. Success in either case has only matured

contempt, and failure has only engendered bitterness. Of this buyers have naturally taken every advantage, playing off one maker against another until a common danger has made united action on the part of their victims a necessity. This is perhaps the only reason why Mr. E. J. Smith has been able to persuade manufacturers of all sorts and sizes to sit together at one table and confide their dearly loved secrets to each other.

The notion of self-preservation has been the first impulse, and the discovery that none of them were so bad as was supposed has kept them together after they have once met. As for the so-called "secrets," it has been positively amusing to me to watch the surprise, sometimes consternation, that has come with the revelation that a manufacturing secret—generally speaking — exists in the imagination only. The burden of evidence would seem to show that whatever secrets there are, are to be found in the works of the small maker—late workman—and not on the works of those who have paid large sums for the purpose of securing them.

This of course paves the way for mutual exchange of opinion, and a representative committee sets to work seriously to consider the question of costs. The way in which the work is done has been referred to so many times by Mr. Smith himself, that there is no reason why I should not explain it to you as I have frequently seen it done.

The first item to be settled is the price or prices of material used. In some trades, such as the Potteries trades, this can be settled once for all. There is seldom any change in the price of clay and marl, and when there is it is too slight to interfere with the selling-prices once a real profit has been secured ; in other trades the prices of materials are subject to frequent alterations, which have to be provided for. The first thing, however, is to fix for the time, and until further notice, the minimum prices to be set down in a cost-sheet for materials used. Thus at the outset we come to a distinct and important departure from the ordinary system adopted in trades, which is that each maker

sets down his own prices for materials. He may continue to do this if he does not go below the Association minimum—that is, he may go as much higher as he pleases, but not below. You will at once see that this plan ignores any advantage which one buyer may have over another. Materials are, by mutual agreement set down at their real market value. Should one maker with large capital be able to buy better, his advantage is regarded as interest for the use of his capital—not as profit on trading. It is contended that buying forward on the assumption that prices have reached the lowest ebb is simply speculation which probably loses as much as it gains. It is also contended that whatever gain may be secured in this way for a time cannot be used for the purpose of reducing selling-prices. It is well known, for instance, that a maker who buys—say iron—for twelve months forward may in the early part of the year have an advantage over his competitors. If prices go up the advantage will increase, but if they go down those who did not buy forward will have the better of it. But if the speculator has at the beginning lowered his selling-prices because he has bought well, all his competitors must follow him, even if they lose by it. Should the prices of materials happen to go up the case gets worse, as it is much easier for one man to lower selling-prices by himself than to raise them. The latter requires the consent of the whole trade. The advantages and disadvantages of buying are therefore put out of the question, and all the more readily because it is found after conference that very often the smallest makers, with the least capital, and taking the largest credit, can buy just as well as those who buy largely and pay cash. The desire for a large turnover is so strong with most sellers that they will often arrange privately to put the small buyers on the best terms for the purpose of getting his order, and if one will not do it another will.

The first item in the cost-schedules is, therefore, the minimum prices at which materials are to be taken, and these

are binding upon every member. Should any alteration become necessary it is done either by this minimum price being altered by circular, or by a resolution to issue another list of selling-prices based on the real market value of material for the time being.

The next step is to carefully tabulate every process through which the article manufactured has to pass. This is generally a most interesting task. It is simply astounding to find in some trades how many of these processes have been altogether overlooked by some makers. In the new system every process must be provided for. Even if several processes are put down as one item eventually on the cost-sheet, the actual cost of each separately is first ascertained so that the total may be safe.

You will have anticipated the fact, however, that in some trades the nature of the processes vary on different works. Take, for instance, a trade such as the manufacture of earthenware. There are processes known to the trade as "throwing," "turning," and "jiggering." Broadly speaking, the differences are between doing the work with the hands and doing it by machinery. It is true that machinery is used in both, but it is depended upon much less in the one case than the other. The question is therefore raised, must the makers who jigger only, or jigger and turn, put down the same amount for the process as the makers who throw and turn? The difference in nearly every trade is very slight, and is often merely a matter of opinion only, but the question is settled in what I take to be the only practical and sensible way. Is the article when done by the one process worth more in the market than the one done by the other process? Will it bring either a higher price, or command a larger sale? If so, it is assessed on the schedule on a proportionately higher scale. If not, any saving by the cheaper process which turns out as good an article as the dearer one is regarded as a question of management only, and the benefit must be retained by the maker instead of being given away in the selling-price. Each member

is at liberty to adopt whichever process he pleases, but the one he selects must be charged at the rate provided by the schedules.

I hope I have made this sufficiently clear, but I am afraid the limit of my paper will prevent more elaborate illustration.

You may be inclined to ask, "Is not this giving away a trade secret and giving up a trade advantage?" My answer is, there is no "secret" about it. The migration of work-people prevents this. It is purely a matter of opinion as to which is the best method. It is seldom that a manufacturer will change his methods because another maker thinks he has a better one. Moreover, the improvement is generally problematical as the discussion soon shows. As for the advantage, the new method secures it to the right person instead of giving it away. Before he joins an association the maker in possession of the advantage gives it away to his customers. Afterwards he has to retain it. It is true that he may have done a little more trade, although this is seldom proved; but even if he did, the value of the association is more to him than the trade thus obtained. It is a favourite saying of the promoter of this system, "You are not in business for the purpose of making this or that; you are in business for the purpose of making money—the only proof of success is your balance-sheet." Another of his teachings is, "If you have a *real* improvement in your methods, the law gives you the right to protect it. If you do not protect it you cannot complain if others value it at your own estimate. If it is not worth protecting, it is worth nothing." I may say that it is part of the system to acknowledge and protect patent rights. Sometimes it is done in one way, sometimes in another, by mutual consent, but the right and advantage are never ignored.

You will, of course, remember that the system provides for a trade as a community, and only in special cases does it recognize individuals, excepting as members of an association.

We will suppose that the prices of materials are fixed, and the cost of each process set down in a schedule with a due

consideration of waste or loss on each, fixed after comparison and experience. And here I must say that it is my profound conviction that so far a much more accurate and dependable result has been obtained than could possibly have been arrived at by any other method. No matter what may be the experience or ability of any one man, there is no one in business who is altogether independent of the judgment and experience of his competitors. I have found that the most unlikely people are often the most valuable in this work. No trade can go through the processes I have mentioned without being the better for it, even if no association is formed.

The next matter to be settled is one of the utmost importance, as every one present will, I am sure, recognize. I allude to the always vexed question of working expenses or dead charges. I have before mentioned the amusement caused by the various ideas always expressed on the matters hitherto dealt with. This, however, is a drop in the ocean compared to what we find when we come to the question of dead charges. It is perfectly true that the first estimate, generally put down on a slip of paper and passed to the chairman for comparison, nearly always varies from 5 per cent. to 35 per cent. Sometimes the difference is even greater. Of course there is laughter and surprise. Please keep in mind, however, that before this question is reached every process of manufacturing which can be provided for has been dealt with, so that it is comparatively easy to make out a list of those things which have not been included, and must therefore come under the head of working expenses. Such a list is handed to each member, and the meeting generally adjourns for a week or two so that each may carefully consider the various items and bring his calculations to the next meeting. When these conclusions are produced it is surprising how near they are to each other. Items which in the past have been wholly forgotten have now been considered. A member is no longer allowed to ignore a charge for rent because the premises are his own freehold.

Petty cash is found to be a tangible item. Bad debts have to be considered. Salaries have to be recognized. Interest on capital—surprisingly often totally forgotten—is now included. Selling commission, cash discounts, and other numerous items known to an accountant have all been placed in ghostly array, and their true effect on gross profits realized. There will, of course, be some difference still in the estimate, but when all is fairly faced it is not difficult to fix an amount which is safe without being excessive.

Without attempting to defend them now, as time will not permit, allow me to give you one or two conclusions to which I have come on this matter.

(a) It is remarkable how many trades come out at 15 per cent. for working expenses. Supposing it were impossible to really ascertain the amount—that is, if one was obliged to guess for any purpose, the safest guess for any trade would be 15 per cent.

(b) The common opinion that working expenses vary much according to the size and resources of the manufacturer is a common delusion. For various reasons, which it would take another paper to give, there are compensations on the one hand or the other which equalize the total surprisingly. This makes it much easier to fix upon some percentage which can be safely adopted by a whole trade.

(c) There is no part of a business which is so little understood by business men as the question of working expenses. Nothing is more responsible for loss in trading than ignorance on this question.

After working expenses have been fixed there are many smaller matters to be attended to before the final question of profit is reached. Allowances to large buyers, merchants, factors, etc., all the incidentals belonging to each trade—these all take time and thought, but all are mutually arranged, and the way made clear for the final consideration of the profits which can be safely and properly obtained.

I shall not weary you with personal opinion as to what "a fair profit" should be. There are, of course, general principles to be considered. The promoter of the scheme would tell you that not one penny profit has been made until interest on capital and proper remuneration for personal services have been fully provided for. After these it becomes a question as to what is possible and as to what is fair so far as the consumer is concerned. More can be reasonably obtained in one trade than in another. It is not a question which properly belongs to the subject of my paper.

I have but little more to add. You cannot attach too much importance to the fact that the system is intended to supply the wants of a whole trade, not an individual trader. It is a communistic system, and includes all the compromises which are necessary to a commune. It is not claimed that the system is perfect. One of its very virtues is that, being applicable to a whole trade, it cannot be tested by the circumstances of a single business. It aims at the destruction of a suicidal competition by a process of education. It is only one part of a great scheme with many provisions and extensive ramifications. But whatever the criticism it may meet, it is one of the most important and valuable parts of a plan which can only be judged by results. It will prevent bankruptcy! The business vitality of a nation depends upon its commercial soundness. I know of no better way by which commercial soundness can be secured, than by first teaching commercial people how to arrive at the real cost of production, and insisting upon this as the basis upon which selling-prices are to be fixed, and profits obtained.

THE WORKMEN'S SIDE OF THE SCHEME.

IN my previous article I have endeavoured to explain in a general way the principles and methods of the scheme adopted in these trade combinations. I now wish to show the position which the work-people occupy in the plan, and the results which accrue to them. It must be remembered that the alliance with the work-people is an integral portion of the scheme. Any kind of combination which does not include the work-people, however good it may be, has not been constituted on the lines which I support, and nothing that I have said, or am about to say, has had, or will have, any reference to it. The new combination scheme aims at an improvement in the condition of the work-people, the recognition of their right to participate in the benefits arising from increased profits, and the drawing into close bonds of unity employer and employed. This object, however, is advanced as being part of a business transaction. Philanthropy, as such, is not pleaded as being part even of the motive. You can have generous treatment in business matters on both sides, and a good feeling on both sides helps to bring this about ; but in trying to improve the present position no one need look beyond the principles of justice and fairness. These being accepted, much more may follow ; but the alliance between masters and workmen must be founded purely on a recognition of what is due to each. The first approach is made by the employers, but it is in the nature of a proposed bargain. It is sometimes difficult to get the work-people to regard even this in the right way ; but if it came to more than this at first, they would not be

prepared to consider it at all. The best workmen are, as a rule, the most independent, perhaps because they are the most intelligent. They do not want charity, but they do want fair treatment. They are prepared to discuss a business proposal, but it would be of no use to tell them that employers wish to give them something without a *quid pro quo*: and the work-people who are not so far advanced, and who therefore cannot be expected to take so considerate a view, regard even a proposed bargain with a certain amount of suspicion. No one can wonder at this. Trade unionism has done much, in a way, to help the working classes, but it has scarcely cultivated a good feeling, or one of confidence between capital and labour. Employers who are disorganized are apt to regard a workmen's organization with dislike. It is a force which they cannot overcome without trouble and expense, if at all, and the best friends of trade unionism will be the most earnest in declaring that it has often abused its power. On the other hand, workmen have long been conscious of the fact that only by organized unity can they gain any recognition of their just rights.

Assume that the employers have gone through the first process in combination-forming. They have drawn up and agreed to rules for the government of their own association. They have taken out the costs of production, and put on the profit which they think they ought to have. This may lower the selling-prices in some instances, and raise them in others, but it will in every instance fix a minimum of real profit below which no one can be allowed to go. The average will show something more than that obtained in the immediate past. Of this the workman ought to have his share. But before wages can be advanced there must be some guarantee that the increased profits will be obtained permanently. Who is to guarantee this? It is the problem which hundreds of associations in the past have tried to solve. I have already pointed out the difficulties which stand in the way of any

sufficient guarantee being given by unscrupulous men. A deposit of cash to be forfeited in case of default is not possible where there is no superfluous cash to deposit, and a legal agreement under which it could be held, even if deposited, is a most difficult instrument to construct. But, what is more fatal, even if the cash were deposited and could be legally retained, the first forfeiture would leave the defaulter free. There is a way out of most difficulties, and the best way is the one which is the most righteous. The workmen have suffered, why not make reparation? The workmen can do all that is wanted, why not call upon them to do it in their own interests?

Now, what is it they are called upon to do? They know, or if they do not they must be informed, that the employers who drag down wages are those who, as a rule, drag down profits. They know that every expedient is resorted to for the purpose of cheapening labour. "But you *must* cheapen your labour if you are to hold your own with other countries," says the person who is keeping a careful protectorate over "British interests." If I could put ten thousand no's into one, I would do it in saying this is not true. Justice is justice everywhere, and cannot be elbowed out by expediency. There is no justice in cheapening labour in a country where men are free, intelligent, and respectable, for the purpose of bringing them to the level of slaves. "But the value of labour in any market is what it can demand," says the "Protector." "Demand,"—what does that mean? Strikes, feud, misery, more loss of trade and money to this country than justice will cost us, by far. You cannot trample on justice without getting hurt. Why should Labour suffer more than Capital? Why should one man deprive another of his fair share, on any pretext whatever? "But increased wages mean increased prices for commodities, in the purchase of which wages are spent, and no one would be the better off." I am not sure that this is any concern of ours while dispensing

justice ; but let that pass. I do not accept the conclusion. At least no one would be worse off, so that there is nothing to lose. But before I can accept this as an economic truth, some one must strike a better balance between the just dues of Capital and Labour. At present we have nothing before us but the teaching that each is at liberty to get all it can for itself. Is might right ? If so, we shall find in time that might is with the majority. At any rate, we are encouraging each side to do all it can to get the better of the other. Then we cannot complain of trade unionism, and there can be no such thing as an abuse of power. While we are preaching this doctrine of cheap labour and low selling-prices, we are making our millionaires faster than ever. They do not spring from the trades where the selling-prices *are* low, but they do often come from the quarters where low wages are paid—almost always. In all these cases labour is unjustly underpaid, and the articles purchased by the wages which are earned by labour are sold beyond their true value. Who gets the better of this ? We have a long way to go before the real balance is struck. When it is, we shall have fewer millionaires and more prosperous working people. Moreover, the middleman must not be forgotten. It is he who generally runs away with the difference between no profit at all when the article leaves the manufacturer, and a large one before it reaches the consumer. But I am told that in America wages are higher than in any other country, and that yet the work-people are in no better position than our own work-people. This is questioned ; but even if it were not, it has yet to be proved that the workman gets his fair share even in America. It may be that in many industries goods might be sold at lower prices, the workmen paid higher wages, and the public, instead of the millionaires, get the benefit. They make wealth fast in America, but it has yet to be proved that they pay their work-people all that belongs to them.

But, after all, what has this to do with the question of

paying a fair wage in proportion to the selling-price? I argue on the assumption that only a reasonable profit has been placed on the cost of production, and that only a fair wage has been asked and been granted. Is there anything advanced against this—no matter what its consequences may be? If it resulted in disaster it would be clear that, two things having been put right, there still remained something that required attention. We may, however, wait until some one can point to the coming disaster. At the present moment it is as far off as it was before combination was adopted—indeed farther.

It is, therefore, as to the making of a bargain that workmen are approached. "We are helpless without you, and you are helpless without us, shall we help each other?" The work-people naturally reply, "What is it you want us to do, and what are we to get for doing it?" It is to me one of the most extraordinary things imaginable that there are still people living who object to the consummation of such a compact. Day by day we read of the "Labour War." Day by day we are deluged by the reflections of well-meaning people as to the suicidal effects of the strife between Capital and Labour. Almost in despair successive Governments are called upon to provide a remedy, or at least to interfere in some way. How can any government effectually interfere without using its authority, and thereby exercising coercion of some kind? Friendly intervention may sometimes stop further calamity after much damage has been done, but even this is problematical. And why wait until the mischief has been done? Why do we not make laws which would strangle the evil at its birth? The answer is simply that we cannot. By no law can you prevent an employer from believing that he is paying too high a wage, or the employee from believing that he is not receiving enough. By no law can you prevent an employer from refusing to employ dear labour, or an employee from refusing to accept wages which he considers

unfair. Nor can you prevent either side from strengthening its position by organization. So the Labour War will go on until the causes have been removed. The law could do two things—it could punish the man who sells without profit, and then fails to pay his way; and it could make easy a legal arrangement whereby Capital could get fair profits and Labour receive fair wages. It does not do the first, and so leaves fraudulent bankruptcy easy; and it does not do the second, and so leaves the law open to question.

But while our law-givers are making up their minds, there is nothing to prevent Capital and Labour from helping each other by methods which our present laws do not, so far as we know, forbid. Yet, as soon as this is mentioned, there are some people who grow angry, and who denounce it as “un-English,” and “coercive.” Only a week or two ago a daily paper waxed eloquent in its denunciation of any agreement whereby the liberty of the manufacturers might be restricted. The fact that 90 per cent. of a whole trade thought it no restriction did not count. The certainty that the other ten per cent. were responsible for bringing down both profits and wages was ignored. The liberty of the subject was everything. It might and did mean bankruptcy and starvation wages, but these were not to be considered where “liberty” was in question. The evils were acknowledged frankly, and deplored, and having driven himself into a tight place, the writer evidently felt that in common decency he ought to make a suggestion, and he did so. It ought to be written in letters of gold. It declared that the workmen were themselves to blame. They had their remedy in their organizations, and should use them for the purpose of getting fair wages, and refuse to work unless they were properly paid. Truly a Daniel come to judgment! It was no excuse that the employers had nothing to pay the increased wages with, for it was their own fault if they did not insist upon getting fair profits; “let the workmen demand, and the employers would soon come to their senses.”

Nothing could be more sweetly simple. The suggestion seems so easy that one wonders why it is not adopted. Trade unions have certainly done their part in trying to adopt it. They have brought about what we call the "Labour War," and we blame them for it. They have had nothing to guide them in their demands, and so have often demanded impossibilities. They have fought, and spent, and starved. Sometimes they have won, and sometimes lost. Where Capital has been thoroughly united they have lost, where it has been divided they have often won. But does anybody know to-day whether when they have either won or lost, justice has been done to them, or whether they have not done injustice to others? There was only one weakness about the editor I allude to—he was neither a workman nor an employer. Had he been either the article would not have been written. But it is a far easier thing to sit in an editorial office and write leaders than it is to try, no matter how humbly, to put things right. Many people will have to try, and many remedies will have to be tried, before the evil is cured. And all who try will have to run the gauntlet of opposition from every quarter. They must expect not only criticism, but abuse. They would get this if they only wrote about their remedies, and writing about them is of little service. We have plenty of teachers, and the evil grows worse. In the remedy I suggest, there is at least something to do, and there is something to point at as having been already done.

I have tried to show how powerless employers are to reform themselves. There must be some check upon dishonesty, and there must be some methods whereby those who still wish, to undersell may be prevented from doing so. If these methods are adopted with the intention of doing justice to other people also, so much the better. I only put it in this way because I am painfully conscious that there are some people who would recognize its value in no other guise. I am as certainly convinced of the necessity for bettering the condition of

work-people as I am of the necessity for bettering that of the employers. But it will serve to clinch the argument if I can prove that the one cannot be secured without the other, in a strictly commercial sense.

At the time when the work-people are approached their position is, so far as my experience teaches, as follows :—

1. Wages have been reduced from time to time either by general arrangement throughout the trade, or by the individual efforts of their employers, who have felt that they must have relief from some quarter to enable them to fight competition.

2. The workmen either have a trade union, or they are disorganized. If the former, the union is seldom complete because the employers have not encouraged it, and because there are some workmen who do not believe in trade unionism, or if they do, will not pay to support it. If the latter, they must submit to whatever terms are proposed by their employers. But even if they have a strong union its efforts to get better wages have only brought about the "Labour War"—that is, they have fought for something which employers say cannot be granted.

3. The prospects in the future are bad, as no improvement is possible unless better profits can be obtained. The profits are growing less instead of more.

My readers will perhaps understand why I am careful about mentioning trades by name. I should be only too glad to do so if left to myself. I can do so by letter to any inquirer, but am not at liberty to drag any trade before the public. Were I at liberty, I could mention one trade in which the employers are, or seem to be, at the mercy of their work-people. These work-people have a union which includes every operative in the trade. They dictate their own terms, and so far these terms have had to be complied with. That means that good wages are paid. Now, if my friend the editor, before alluded to, had compassed the difficulty, there would

be no need for any new scheme of combination in this trade. I have no doubt that the misery has to some extent been kept back for a time, but it has come, nevertheless, and, now it has arrived, it is of the worst kind. High wages and low profits cannot go together for long. The employers have no union, and they know of none which could accomplish the purpose but the scheme which they have at last resolved to adopt. When they have adopted it, they will find that the thing they dreaded is the one thing necessary to their success. Their work-people are so strong that as allies they can do all that is wanted. But this is an exceptional case, and only proves the rule. The conditions which I have enumerated are those which I almost invariably find in the trades to which I am called.

Now what are the alterations which the scheme I advocate would bring about? Or, in other words, what are the terms of the bargain which is offered to the work-people?

1. If the work-people have no union, it brings one into existence at once. If they happen to have one, it makes it complete, as every operative working for an associated employer must be in it.

2. The wages paid on articles made at the time of the signing of the alliance cannot be reduced so long as the alliance lasts, nor can the conditions or hours of labour be altered for the worse.

3. Any new article introduced into the trade will be paid for at its true value, such value being assessed on the basis of cost as ascertained by the whole trade, and fixed in proportion to the selling-price and the profit which such selling-price brings. These wages will be fixed by agreement between the individual employer and his workman in conjunction with their respective unions, or, in case of dispute, by the Wages and Conciliation Board, or by an arbitrator called in for the purpose if the Board cannot agree.

4. A bonus will be paid on all wages on the first pay-day

after the alliance has been so far successful as to make the first rearrangement of selling-prices possible and safe, and a new selling-list is issued.

5. Further bonuses will be paid on any future advance on selling-prices which secures further profits, and which has been approved by the Wages and Conciliation Board.

6. The workmen will be asked to take their place, on equal terms in every way, on a Wages and Conciliation Board to which all disputes of every kind must be submitted, and which must either settle them or call in an arbitrator, whose decision must be final.

To prevent misunderstanding, some explanation may be necessary as to several of these provisions. Concerning No. 1, I need only remark that either trade unionism is good or it is not. If it is good, it is only at its best when complete, and I know no better way of making it so than by making it to the interest of employers to help in the construction.

As to No. 2, I confess that I am sorry that I have no better terms to offer. I should be better satisfied if the alliance could be started on terms which would require no further alteration on either side. That this is impossible I have fully demonstrated. I once spent six weeks in joint conferences between masters and workmen, trying to establish some basis upon which we could begin as we meant to go on. It is with a sense of humiliation that I confess that the time was worse than wasted. My critics seem to have missed this, but I give it to them gratis as "another failure." The workmen tried to get the *highest* prices paid by anybody as a *minimum*, the employers tried to get the *lowest* as a *maximum*. I was quite helpless, and we adjourned for ever. I am not responsible for the condition of things as I find them when I am consulted by a trade. Each side has done its best to beat the other, and I have to accept things as they are. My first endeavour is to prevent anything from getting worse. As it would surely get worse, if let alone, judging from what has

happened in the past, this is something to have accomplished. Workmen must take this, and be thankful. It is more than they can accomplish for themselves without a very strong union indeed, and if they have had that it has so managed that they have very little to complain about.

As for No. 3, it speaks for itself. New articles must take the place of old ones, so that it secures in the most natural way, in time, the uniformity which is so desirable. As these new articles are sold at the proper percentage of profit, no injustice is done in asking a fair wage for them.

About No. 4, there must be no mistake. The first bonus cannot be paid until it has been earned—that is, until the workmen have performed their share of the bargain and brought in those employers who would never come in without their help. Until this is done, selling-prices cannot be rearranged, and until they are there are no extra profits from which a bonus can be paid. It is true that several trades have paid this bonus before the work has been completed, but it is a dangerous thing to do and is generally regretted. The first trade did it with success, but the experiment is unsafe. In the interests of the workmen as well as the employers, I strongly advise that the bargain shall be carried out before it is paid for.

There is another matter pertaining to this clause of which it is necessary to say something more. I am constantly being asked whether the first bonus secures a "living wage"? My answer is that this depends upon circumstances. If it be in a trade where a strong union has been able to maintain a good wage, the first bonus, and the first advance in selling-prices, may be sufficient on both sides. But if, as is generally the case, there is no union, or only a very weak one, the probability is that the first bonus is not sufficient any more than the first rearrangement of selling-prices is. But whatever it is, it will at least be proportionate to the advance on selling-prices, and it is generally higher. Selling-prices, fixed on the cost of

production, are not always advanced. They may even be brought lower, but they must contain a profit. Many trades simply live by getting too much for some things while selling others at a loss. The system is wrong. Luxuries must be paid for, I grant, but there must be some method in apportioning profits. The average of the advance is taken, and the workmen get their share—generally speaking, more than their share. What their share is can only be ascertained by those who go through all the processes of cost-taking. The workmen could not do it, and even if they engaged an accountant he could be of little service. They have to recognize that something is offered them which is a pure gift. They can accept it or refuse it. If they refuse they get nothing. Their safeguards are—first, that an independent person is looking after their interests, and secondly, that the first advance of selling-prices is almost sure to be below the profits which ought to be obtained. My experience is that manufacturers, in such circumstances, are always afraid of asking a fair profit. They are doubtful of the system, afraid of their customers, more afraid of their travellers, not a little distrustful of each other, and so cannot be persuaded to put on a fair profit at first. After the first selling-list has been arranged the workmen are quite safe. Any future advances are made by percentage on the list, and has to come before the wages board for approval, and as the further bonus is also paid on a percentage, they know exactly what they are to receive. If the advance only just covers a rise in the prices of materials they know no bonus can be paid, but if an extra profit is secured they know just how much belongs to them.

But the "living wage" does not depend upon the bonus paid. It is to be found in the result of the friendly conferences held by the wages board as years go on. Step by step there is accomplished the seeming miracle of a fair wage being paid, without dispute, and without strikes. I need not say what this must mean to a union. No money wasted on strikes means

either a reduced charge for membership or increased benefits. There are plenty of uses for the money without having to pay for strikes.

This brings me to the 6th clause. I ask the workmen of this country what it would mean to them to be able to discuss these matters with their employers, on equal terms, with interests made one, and a friendly feeling all round? I will leave this to their judgment and verdict.

I do not think I need say more on this point. This is the workmen's side of the movement, so far as the advantages to them are concerned. If they can get all these things for themselves, I shall not complain should they refuse the bargain. If they are unable to do so, then I cannot understand why they should not accept it. In the trades for which I speak I see no chance for them without this alliance. Their part in it is clear and easy. They are asked to show their belief in trade unionism by helping their employers to form one. Imitation is the sincerest form of flattery. Their reward is that their own union is made perfect, their position in the future made secure, and their wages are raised; moreover, conditions are fixed by which their just rights in the future are recognized, thus putting them on an equality with their employers concerning those matters which belong to them; finally, their money is preserved for more useful objects than strikes, and the feuds between them and their employers are laid at rest for ever. Should any working-man want more than this, I should be glad to know by what means he proposes to get it. I do not say it would, even if obtained, be good for him.

And now, what has he to do in return? He has simply to keep the compact from breaking down by refusing to work for those who would destroy it. There are always some members of a trade who object to any kind of dictation. I do not say that these are always the employers who pay the lowest wages. Generally speaking they are; but sometimes their opposition arises from other reasons. They wish to "transact their

business in their own way." They resent interference from any one, and any action by an association which would impose restrictions upon them is regarded with the greatest indignation. This is the secret of the whole opposition to the movement. I want no false impressions to exist in the minds of my readers. Without restrictions of some kind this scheme would be of no more service than any of the others which have been tried without success. It is clear enough that manufacturers must either be left free to sell at what prices they please, or they must be compelled to sell with at least a minimum profit. If the former is conceded it is absolutely certain that some will sell at prices which will make fair wages impossible. I have explained the reasons for this before, but it matters little what may be the reasons. The history of every association will show that pledges without the power to insist upon their fulfilment are useless, as they will be broken. Even if they were not broken, buyers would say they were, so that the effect on the minds of competitors would be just the same. Restriction is, therefore, a positive necessity. There is no hope of success without it. Crotchets cannot be permitted to stand in the way. Purely sentimental notions as to liberty of action have to be ignored. Every member of a trade is asked to take his place at a Council where the lowest possible profit is fixed. There is no restriction of any kind whatever, excepting one—that a minimum profit, which the united opinion of a trade has fixed as being the least which can be safely obtained, shall be added to the cost of production. The manufacturer who wishes to sell without this minimum profit is an enemy to his competitors, to his workmen, and to his country. There is no legal enactment which will compel him to sell at fair prices, or to pay fair wages, but, on the other hand, there is no law which will compel workmen to assist him in bringing ruin upon a trade. The whole matter is in the hands of the work-people. If they will go on working for manufacturers who sell without profit, the consequences are of their own seeking; if they

refuse to do so they can stop the evil at once. The compact is made without regard to any individual. It is simply an admission as to the wisdom of a principle which will be made to apply all round. So far the cry of the trade unionists has been that of "a living wage" only. A living wage is impossible without "a living profit." They are asked to demand both, and to refuse to work for any one who will not comply with the demand. In taking this position they receive for the first time the countenance and support of an employers' trade union which has been formed, not for the purpose of fighting the work-people, but for the maintenance of the just rights of both Capital and Labour.

There is only one word more to say. I have before me every evidence that a great upheaval is taking place in the world of Capital and Labour. Almost every post brings me expressions of opinion and appeals for help, which prove that we are on the eve of a revolution which has been encouraged by the false conditions under which we are working. From the trades of the Midlands, the tin plate trade of Wales, the coal mining industries of Durham, and other commercial interests, I receive day by day inquiries as to how a living profit and a living wage can be secured. I do not know how far I am responsible for the growth of thought, and the determination to make a struggle for improvement, but it is clear that the work is far too great for any single individual to accomplish. I am doing what I can in a practical way ; but my earnest desire is to awaken and direct, so far as I am able, public opinion, so that better men may take up a work which offers endless opportunities, and from which, as I believe, the only permanent good can come. And to those who hesitate lest the adoption of sound principles of trading should deliver us into the jaws of foreign competition I can say that, on the contrary, we shall have to be very quick if we are to be even the pioneers of this movement. From France, America, Germany, Denmark, and other countries I am receiving the most

satisfactory assurances of a recognition of the principles of the scheme, and a desire to adopt them. International trades federation is a large order, and will never be executed until it is signed with the warrant of employers as well as employed. The living profit and living wage are as necessary abroad as at home. We are waiting for each other. When England has proved its intention to secure them, our foreign competitors will follow its example, and while legitimate competition will be as untrammelled as ever, the suicidal and miserable policy of selling goods at a loss will be given up as a trading practice, and the just rights of both Capital and Labour acknowledged, not only in this country, but in others.

FOREIGN COMPETITION IN RELATION TO THE MOVEMENT.

It is almost impossible to take up a journal or a newspaper just now without meeting with an article or a letter on the subject of competition in trade with English makers by manufacturers abroad. The conclusions given are not always on one side. Statistics can be made to prove anything, and are freely indulged in by those who take a desponding view of the mercantile future, and just as freely used by those who believe we have retained, and shall continue to retain, our supremacy. It is not my object to enter into the controversy on the general question. I have read with much interest all I have seen which has been worth reading on either side. From this I have gathered much that has been interesting, and some things which have been instructive. I have tried to lay hold upon, and pin down, any conclusion which has been supported by absolute proof, and which has not depended, as Sam Weller would have put it, "on the taste and fancy of the speller." I have been assisted by very many people whose entire business it is to fight foreign competition, and whose very existence depends upon their ability to succeed. I spend nearly every day of my life in examination of such evidence as can be given by traders who make and traders who sell. This evidence is as conflicting as that to be gathered from the reading of books and newspapers. One half of the members of a particular trade will declare that the foreign maker is

carrying all before him, while the other half will protest that he is not making headway at all, and is not worthy of notice. In the bewilderment which follows, I generally suggest that we should try statistics on a small scale, and get an anonymous return of present foreign trading in this particular trade for the purpose of comparison with those of a given number of past years. I leave it to others to apply the lesson which this return always teaches. I have never seen a return which proved that our foreign trading had decreased, or that home trade had been interfered with by the foreign maker beyond supplying the demand made by an increased population. In a trade to which danger signals have been pointed for years, the last appeal to figures proved conclusively that foreign trading had increased by 25 per cent.

I do not wish to beg anything, and I will not say that such tests as these should be taken as disposing of the conclusions of those who believe that we are losing our supremacy. The range of such tests is limited, and even when increased trade has been established beyond a doubt, it does not follow that the increase is as great as the natural requirements of the world's population make possible. I will therefore leave the general question for further discussion and further proofs. I wish to deal only with the questions which I am constantly asked, and with the assertions I often hear made, concerning the effect which the trades combination movement, with which my name is connected, will have upon the efforts of foreign traders to oust our British producers from their present position, whatever it may be, both at home and abroad. And, first, I want to give my critics the advantage of an admission which it has been too hastily assumed I wish to withhold. The opponents of combination in trades are divided into several classes. There are those who will not even look at the scheme with any intention of trying to understand it, and who are resolute to denounce any plan which places a limit on personal freedom. There are those who would place

any fetters, in the way of monetary obligation, on personal freedom, but who will not agree that workmen shall be brought into the bargain. Then come those who agree that personal freedom should be restricted for the general good, and who believe in the workmen sharing the benefit of combined action, but who regard with alarm any attempt at getting increased profits owing to their dread of foreign competition. To the first two classes I have nothing to say here. I have tried to remove their objections and prejudices on other occasions. To the last class I wish to make the admission that, if my scheme is at all likely to have the effect of playing into the hands of foreign traders, to the prejudice of home manufacturers, it should not be adopted. I will go even further, and say that, unless the new plan of trade combination has arranged for foreign competition in such a way as to safeguard all the trade we have at present, and to make it possible to regain some that we have lost, I should consider this a fatal objection to its adoption. Surely this is enough to grant in an argument, and I have no doubt that opponents of the scheme will make the most of it.

What is the difference between a home and a foreign competitor? To the manufacturer the difference is that the former is a great deal more dangerous than the latter. To the public, who have to pay for the articles produced by both, the only difference is that the money obtained by the business done is spent by the home producer in his own country, while in the other case it is spent abroad. There is more in this than appears in the mentioning of it, but we will let that pass. I am supposing that it is a good thing to keep trade in the country, good for the manufacturer, good for the workman, good for the public. If this is not admitted by those who object to trade combination I have nothing to defend, so far as they are concerned, as, in their estimation, no harm could result from driving trade out of the country. I do not believe in driving trade out of the country any more

than I believe in trading without a fair remuneration in the way of profit.

What I have to show is that combination in trades, whereby home competition is done away with so far as its power to prevent the selling without profit is concerned, does not provide an opportunity for the foreign competitor to step in, either in our home or foreign markets. It must always be remembered, however, that I write, primarily, in the interests of the manufacturers and workmen rather than in the interests of what is called the public. But I do not believe that the interest of the public is served in any way by manufacturers selling without profit. It is to the public interest to prevent any kind of monopoly whereby a fictitious value is placed upon a necessary article. Trade combinations on my plan have been in operation for seven years. I challenge any one to prove that any one of them has even attempted to obtain a monopoly. Moreover, I maintain that the very provisions of the scheme absolutely prevent anything like a monopoly being secured. So far from the public being imposed upon by the adoption of the scheme in any trade, I have shown many times that the public outside the particular trade which may be in question must benefit from it in every way. But my sympathies are more specially directed to the manufacturing interest all round than to the people who may have to pay 10s. 6d. instead of 10s. for a bedstead, 2s. 6d. instead of 2s. 3d. for a fender, 1s. 1d. instead of 1s. for a piece of earthenware, and so on. It is, then, the manufacturer and his work-people whom I am considering, rather than the general consumer, when I approach the question of foreign competition. Anything which will give the foreign producer an advantage must be deleterious to the interests of the manufacturer, the workman, and the consumer alike; but I leave the latter to take care of himself. I have ample evidence before me to prove that he is quite capable of doing it. There can be no doubt concerning the two former that their very

existence depends upon their being able to hold their own against all comers.

Let us suppose, for the purpose of illustration, that some particular trade is carried on in this country by one hundred manufacturers. Let us also suppose that there are the same number of foreign makers. Each British maker has, without an association, one hundred and ninety-nine competitors. As a rule the ninety-nine competitors at home are more dangerous than the one hundred abroad ; but I will suppose that both are equal in this respect. It must be admitted that the British maker who wants to maintain his selling-prices at a profitable level has the whole of the hundred and ninety-nine to reckon with. He can only succeed if they will allow him to do so. It matters but little to him whether his customers are taken from him, through underselling, by home or by foreign producers. Moreover, he is seldom in a position to determine absolutely which section it is that is doing him damage. No one denies that there are many honest and truthful buyers, but every trader knows that there are many buyers who will stoop to any practice in order to reduce the selling-price of the article. These people play off one maker against another continually. If they cannot say that a home competitor is underselling, they will drag in the foreign producer. Manufacturers have no means, very often, of testing the truth of these statements, and agents and travellers accept them readily and send them on to their principals, certainly without taking anything from them. There may be no truth whatever in the statements, but the fact that no order can be taken is accepted as quite sufficient proof of their correctness. Manufacturers will not believe, what I have abundant evidence to prove, that buyers will send one agent away with this story, and then place their order with the next who calls at exactly the same price which the first one asked. The result generally is that the first gentleman persuades his principals to allow him to "come down," and his lower quotation is at once used for the purpose

of getting a further reduction from some one else. Sometimes it is a home producer who is deceived, sometimes a foreign maker, but the result is the same. I have had to approach foreign makers on this subject, but I have never met with one who did not say, and I think believe, that it was the British producer who was responsible for the underselling. I do not think there is much to choose between them, but this is a factor which must be taken into the consideration of the question of foreign competition. The first thing to be done is to take away even the excuse for the foreigner to undersell.

The case I have supposed is that of a trade having no association. Let us now assume that the British manufacturers in this trade adopt the scheme of combination. It must be remembered that the scheme does not make compulsory any uniform selling-list of prices. Unfortunately there are some trades which must have them ; but the further we get from the raw material, and the nearer we get to the skilled work of the artisan, the less necessary it is to have a fixed list of prices. All that is required is that every member shall be able, if called upon, to show that, having taken out his cost of production on association lines, he has added to this cost the right proportion of profit. Now, what is the difference between the position of the manufacturer before an association is formed and after. (1) Before, he has 199 competitors, each one determined to get his trade if possible, even if underselling has to be resorted to. After, 99 of these competitors are bound to get the same proportion of profit as himself, and therefore his competition is reduced by half, excepting in regard to the quality of the goods, business capacity, and so forth. (2) Before, he is at the mercy of his customers, who use him entirely for their own purposes. After, he has means at his disposal whereby he can discover and expose attempts at trickery, so far as home produce is concerned. (3) Before, he has to sell either with or without profit, or lose his trade.

After, he cannot sell anything without obtaining the right proportion of profit, and does not lose his trade in consequence.

It will be seen, therefore, that the customer who has played off one maker against another is checkmated so far as home makers are concerned. He will no doubt continue to try what he can do ; but this will not last long, as associations not only find out but retaliate. He is therefore driven to setting the foreign suppliers against the home producers, which narrows the field of inquiry and increases the chance of detection. When he tells the truth, he is of great service to the association in locating the real evil.

It must be kept in mind that before the combination was formed one hundred home makers were engaged in fighting each other. The association removes this evil. But it goes much further : it consolidates the hundred, who are prepared to stand shoulder to shoulder in any effort to beat the common enemy—foreign competition. I presume it will not be disputed that, as unity is strength, a hundred makers united, with only a hundred other makers to fight, will be more able to fight successfully than each one would be if engaging double the number of foes himself. The advantages here of unity are obvious—combined knowledge, experience and determination, and a *very long purse*.

Now as to the method which may be employed by the association in carrying on the contest. And first I want to say with great earnestness that it does not absolutely follow that any fighting will be found necessary. Supposing I am right in concluding that the underselling began at home instead of abroad, it will probably cease with the formation of the combination. The foreigner may be glad to avail himself of the chance to get better prices, and may be willing to take his fair chance with ourselves. But beyond this there is now the possibility of coming to some arrangement with British makers. There may be room for both. Foreign makers are generally much more united than ourselves.

An opportunity now presents itself which did not before exist. The whole of the British makers may be approached through one person—a secretary—or *vice versa*.

But I will suppose that any such common understanding or arrangement has been found impossible. Moreover, I will assume that the foreign producers, knowing that a British association is in existence which ties the hands of its members, determine to use this as a means of increasing their trade at the expense of the combination. I will suppose that their articles are as good as those of home producers—a thing which seldom happens,—and that their means of production give them an advantage as to selling-price. How can combination assist home producers to fight against all this ?

I do not want any one to imagine that I think it possible by any means to prevent the foreigner from selling goods in this country, or to suppose that I think it would be beneficial, even if it could be done. There are articles which we must have from abroad. We ought to be the last people in the world to put anything in the way of fair trading amongst us by the foreign maker. With or without combination we shall often have to consider ourselves beaten by the advantages and circumstances which exist abroad, and to retire from competition altogether. We cannot monopolize everything, which is a good thing for ourselves. But the case I am taking in illustration is one where the foreign maker is in no better a position than we are, or very little better. The question is how to make him trade fairly—that is, how to compel him to get the same prices as ourselves, always supposing that these prices secure us a reasonable and fair profit only. The answer is—by well arranged, careful, judicious, and systematic underselling, until he is compelled either to retire, or to come to terms. Here, again, I want it to be remembered that without combination this is impossible ; again I call attention to the fact that while one man cannot hope to fight 199 men, 100 men all united may enter into a contest with a force no larger

than themselves, and not so well organized. Also I repeat that it is a great mistake to suppose that it may not be to the interest of a combination to lower prices as well as to raise them.

But, it is urged, the combinations are formed for the purpose of preventing underselling, not to encourage it. This is admitted. The remedy I suggest is homeopathic. No combination *wants* to undersell, but it is not formed for the purpose of committing suicide. Any combination can choose its own weapons. It must not hesitate to choose even the weapons of its opponents, if no others will accomplish its purpose.

But there are two kinds of foreign competition. Both kinds are found in the various trades which have adopted combination principles and methods. The first, which is in my opinion the more important, is also the more easily dealt with. I allude to the competition by foreign makers in our foreign markets with articles which they sell abroad at lower prices than ourselves, but in which they stand no chance in our own country, and so do not even try to sell. Let us take this kind of foreign competition for first consideration.

What is the position of a combination when it has completely arranged its prices? It has no competition at home. It is therefore making profit on every article it sells in this country. This alone is a consideration of the first importance. It provides both the means to live and the means to fight. It secures a profit on all it sells abroad excepting in the market, or markets, where foreign competition exists. I have never yet met with a trade which had not some foreign markets where the foreign maker is either unknown or unworthy of notice. You have therefore to add to the profits made at home those made abroad in these markets. Without combination these profits are not obtained, because the competition from home producers prevents it. Here we find the force of unity.

There remain the markets where the foreigner is underselling. These markets supply the scene of conflict. There, and *nowhere else, now*, is it necessary to fight. I am supposing that before the combination was formed all the usual methods had been tried. In this I am paying a compliment to my opponents who claim so much as belonging to what they call freedom. I contend that there is not a method which can be adopted by an individual firm which cannot be better employed by a combination, and that many methods which a combination can adopt are quite impossible to an individual business, but I will not urge this now. I will concede that perfect freedom has done its work, as well as could be expected, and that the competition still exists—that is, that “freedom” has failed. I cannot forget that this is the wail of some of the newspapers, the merchants, and the manufacturers of this country. I do not believe in half they say, but if I did I should be compelled to come to the conclusion that our present system, if system it is, is such an ignominious failure that the sooner it is done away with the better. Without endorsing the hysterical outpourings of the people who think, or say, that we are going to the dogs, I do think that as sensible people we should adopt every means of self-preservation. What are the means? Do we send our soldiers out to fight one at a time? Do we keep our fleet at home, saving one ship, which we send out to conquer the world? Do we finance with our sovereigns or with our millions? We believe, as a nation, in combination in everything except in trading. Why? Combination must do its work, and here is a work for it to do. It has secured its own resources, and it is now prepared to employ them. It does not want to shut out the foreign maker—that would be a selfish policy which would fail, as it would deserve to fail—but it does want, and will have, fair dealing. If the foreign trader is determined to undersell, the combination will meet him on his own ground. But the fight must be with the “mailed fist.” Selling without profit is not enough. If fighting is to be done

it must be sharp and effective. There is only one way—the combination has some profit which it can give away and still live. It must not be a question of how little profit it can do with, but how much loss it can bear ! When the fight is over, shake hands as much as you please, but always after a proper understanding.

Before leaving this part of my subject, I wish to make another suggestion in the same direction. Combinations should trade abroad as combinations, not as individual firms. In each large town where single traders keep their showrooms, warehouses, and agents, heaping up expenses which either lessen profit or prevent sales, there should be one showroom, one warehouse, one general agent, lessening expenses, and providing an exhibition of articles much more imposing and attractive than any single firm can support. This is a large subject, and would require an article to itself. I only mention it now in order to show how many-sided combinations can be if properly used.

I now come to a much more difficult problem. Suppose the invader is not only attacking our foreign or colonial possessions, but has entered our own country and has gained a footing there, an aggression which hitherto we have been unable to prevent. My opponents must forgive me if I venture to ask why they have permitted this. Surely under the glorious system of "a free hand," whereby manufacturers are allowed to give their goods away and starve their work-people, we ought to have beaten this foreign invader ! The system has done nothing of the kind. It never will be able to do it. If anything is to be done it must be done by way of combination. But combination cannot work miracles, although it has already done much which the wiseacres have declared to be impossible. Still it can do much more, and I will try to show how.

I suppose that a little practical experience will be more acceptable to my readers than the advancement of any theory.

Let me describe how one trade in particular succeeded by combination in doing what trade after trade is failing to do for want of combination. It is a large and important industry carried on by a few makers—under a dozen—in the whole of the country. These persons make an article, quite indispensable, for which there is a growing demand. The making of the article requires much skill, years of experience, and much more mental ability than the large majority of trades. Notwithstanding this the members of the trade had succeeded, by the usual methods, in making the trade unremunerative. They had done this by underselling each other, and by allowing the German competitors to undersell them all. I know that, to the person who has never looked all round this subject, my suggestion will appear very much like a conundrum. Put it in this way: "Here is a trade in which the makers all sell without profit, or with too little. In spite of this, foreign competition is able to take away the trade by underselling. The remedy proposed is to raise selling-prices—without any agreement with the foreign maker. How can they raise their prices without playing into the hands more and more of their foreign competitors?"

But, while most people would put it in this way, this is not the question at all. Granting the premises the inference is still incorrect. The remedy proposed is unjustly dealt with when it is lightly set aside as a policy of raising prices. It is quite true that this is the ultimate object, but why should any one conclude that this should be the first part of a programme drawn up for the purpose of meeting a great evil, and eventually accomplishing a great good? You take the weaknesses one by one, and deal with them as they become next in importance. The first weakness is disunion. The first evil is want of agreement amongst those who are suffering. The first part of the remedy is to bring the sufferers together—*all* of them, manufacturers and workmen. In the particular trade to which I am alluding there was no unity of any kind. To

each member of it every other home manufacturer was no less, in fact much greater, an opponent than his foreign competitor. There was no common attempt to fight the common foe. There was jealousy, dislike, and misunderstanding concerning those competitors who were known, and an exaggerated estimate of the power of those who were not. Things had become so bad that, in sheer desperation, my advice and help were requested. Quite disregarding the minor and after considerations, my first step was to form an association of employers ; my next was to consolidate the work-people : the third was to bring them both together with a clear understanding as to the relative position of each, and a full recognition of the responsibility which the alliance had undertaken. In natural sequence followed the examination into costs of production, and the fixing of profits below which proper remuneration could not be obtained. From this examination came a few revelations. Some goods were being sold at an entirely unnecessary loss, some were being sold with a margin of profit which prevented their common use.

These irregularities having been adjusted, the next step was to approach the principal customers with a proposal. It must be stated that in this, as in most others, the foreign maker was only a competitor in certain branches of the trade. There was not a customer in the kingdom who could afford to ignore the home makers. How many trades are there in this country concerning which this statement would not be true? When such a trade seeks help, the treatment must be a little different, but so far as I am concerned I have found quite enough to do with those trades which are in the condition I have described. There are hundreds of others wanting the same kind of help. The proposal to the customers was that a rebate should be given to them. It had to be obtained from the association secretary twice a year, and covered all goods purchased from any or all of the members. The rebate was in the form of a special discount, and was fixed on a scale. The firm which

did the most business got the biggest rebate. The process by which the rebate was to be obtained is too well known now in this country to need explanation. For this concession a pledge was required. It had at least the merit of simplicity. *The customer was bound to buy only from members of the association*, with certain reservations, to be stated shortly. As the rebate was to be granted on *all* goods, and as some goods *must* be purchased from members of the association, the offer was tempting enough to accept. A joint committee was at once formed. The manufacturers made one part of it, the representatives of the customers the other part. A conference was held at which rules for guidance were submitted and approved. One of them was that, while customers were bound to buy only from home producers, they should have the right to produce any article offered by a foreign house at lower prices than those charged by the association; and supposing, after test and examination, the quality was found to be sufficient, and the price beyond question, the manufacturers' side of the committee should agree, either to make the article at the foreign price, or lower if they cared to, or the customer should be permitted, by special dispensation, to buy this article from some foreign house. The result may be briefly but emphatically stated. Competitive goods were sold at a loss while others were sold at a profit until the foreign maker was convinced that he would either have to retire or to agree to sell at fair prices. He was being fought with his own weapons, and the force against him was much stronger than he could deal with. Foreign competition has but little chance in this trade now.

Now, it will at once be said, "But what of the customer? Is he not penalized for the benefit of the producer?" Is it a penalty to pay a fair price for an article? I start and I end with this—that it is wrong to sell anything without a fair profit. When any one will show me that it is right to sell without a profit, I will own that my system is wrong.

If any one will show me that a fair profit can be secured, throughout a whole trade, in any other way, I will consider the plan. Until this comes to pass I shall maintain that the consumer who wants to buy at a loss to the producer is a public nuisance who ought to be taught better. I do not care for him in the least. He is a curse to commerce, and should be treated as such. He will thrive and fatten on the bankruptcy of manufacturers and the starvation of work-people. He is not fit to be considered, and ought to be discouraged by every legitimate means. Let him rave and wail in the columns of the newspapers, but let us give him, and all those who support him, the answer that we will not sell without profit despite wails and anathemas. If we claim too much, he has his remedy—let him make for himself. He will have the whole country at his back, and the combination will meet with its just doom. But after seven years of trial, I challenge any one to prove that any combination formed on the principle I have advocated has ever charged an unjust or exorbitant price.

The trade I have used in illustration of what can be done by means of combination, in the way of meeting foreign competition, is to-day nearly free from it. I am not expected to say here what trade it is, but shall be glad to give the information to any one who really wishes to make an inquiry. But it is not the only trade that has been able to do so much. There is not a trade in existence, under the same circumstances, which cannot help itself in the same way. But it can reasonably be urged that the trade I have taken as supplying an example was peculiarly fitted for the experiment. I grant this, but contend that there are more trades in England of the same kind than I am ever likely to reach. I do not care to speak of trades I have not come in contact with, but I am willing to take all those of which I have any knowledge. It is my personal conviction that there is not a trade in existence that cannot do better, in the way of fighting foreign

competition, by means of combined effort, than by fighting each other also. But this is an opinion only. Let me take another trade. It is one subject to the raids of the foreigner during the "surplus" season.¹ The first thing done after the formation of the association was the appointment of a foreign committee whose duty it was to collect and consider all information which could be supplied by the members as to the prices, etc., for the time being, of the foreign maker, and to present such reports and make such recommendations to the association as they considered necessary. This, even by itself, must not be undervalued. I leave it to common sense to determine whether a trade can be better or worse for having at its disposal statistics carefully collected, information gathered throughout the whole trade, conclusions arrived at after examination of evidence by experts, and recommendations made only after the most careful consideration, and endorsed and carried into effect after having been submitted to the judgment, intelligence, and practical knowledge of the trade as a whole. To comprehend the nature and extent of an evil is to pave the way for its extinction, to work in unity for that purpose is in itself an earnest of success. And it must be remembered that not only is none of this possible without an association, but that the evils to be fought, whatever they may be, are greatly increased by disunion and misunderstanding at home.

What was, and is, the nature of the recommendations so made and adopted? It does not follow that the same line of policy should always be pursued. Sometimes it is wise to let the foreigner make the best of a bad bargain. It may be that there is plenty of trade on hand, and there is no necessity to take unprofitable business. It may be that orders are wanting and it will pay to accept some, even if for no other purpose

¹ *I.e.* when foreigners sell abroad the surplus productions which they cannot sell at home at the prices which a protective tariff enables them to get in their own country, but which permits them to sell without profit in England.

than to keep down working expenses. Possibly there are a few good customers whom it would be well to keep away from the foreign maker, even at a sacrifice. The association, in fact, pleases itself. If it wants orders it takes them, even in the face of the foreigner; if it does not want them, it allows unremunerative business to go by. But whatever is done is done collectively, after deliberation, in pursuance of a settled purpose—that purpose being to keep the trade in this country, and prevent the foreign maker from reaping any harvest here. Will any one deny that this is better than quarrelling with each other, and making ourselves even more objectionable and dangerous than our foreign competitor? Will any one point out how a plan like this, properly carried out, can fail to help us in solving the great question of how to keep trade in this country. But this is part and parcel of the scheme of combination. It is quite true that all the associations have not yet adopted it. There are so many things to do, so much in the way of difficulty to overcome, so much building up to be accomplished, that although the work is one of steady progress it takes years to perfect it. Long before foreign competition can be dealt with, home competition has to be prevented. There are few associations formed without opposition from some of the members of the trade themselves. They will fight, no matter what they lose. They will bribe their work-people, reduce their selling-prices, go on selling at a loss, and exhaust every resource sooner than submit to what they call dictation. In the sacred name of liberty they will compel their competitors to sell without profit, force eventually the whole trade to pay miserable wages, allow the foreign competitor to steal a march upon them because they are too much engaged, know too little, and are too weak, standing alone, to prevent him. Then they write to the newspapers, reviling free-trade principles, and calling upon the Government to help them. Should the Government enact laws which limited their freedom, they would submit. Legislators are not always

experts, and these laws often do more harm than good. But when all the experts in the country, in their own particular trade, call upon them to do something which nine-tenths of the whole have carefully considered and written down as wise and necessary, they clamour for "freedom" and determine to fight rather than to yield. While this is going on there is not much hope of fighting foreign competition by collective effort. All the time and energy available are needed to overcome this. But time and reason joined to such power as combinations can exert gradually either overcome the opposition altogether, or render it so powerless as to be scarcely worth notice. Then the occasion and opportunity arise for paying attention to matters of detail, and for presenting an undivided front to the foreigner. But in the interim, during the period of construction and consolidation, the critics of the movement jeer at its imperfections and shortcomings, and freely prophesy total failure. They do not seem to profit by observation. The alliance once formed between employers and employed, embracing nearly the whole of a trade, never has broken down, and I think, never can. To an enthusiast the work seems to go but slowly, to the close observer its progress is wonderful. It is probable that not a living being, seven years ago, would have dared to even hope that its progress could have been so convincing and satisfactory.

Is it, then, my object to drive out the foreign competitor, and so make it impossible for him to sell goods in fair competition with home producers? I answer emphatically—No. But I do wish to prevent him from selling in England without profit. Would he be so foolish as to want to do this? My answer is that thousands of our own manufacturers do it, and I see no reason to suppose that the foreign makers are wiser than ourselves. But I have direct evidence that they do it. I will give a case or two in point. I will take American and German makers—the two we most dread. Rolled wire, and brass and copper tubes are made by them. They have

protective tariffs which secure them a good profit at home. They therefore work at full pressure, and make as much as they can. They sell all possible at home, but get rid of their surplus stock in England, at certain seasons, at the best prices they can get, which are generally without a profit. They cannot take the whole trade because they could not do it at their prices, but it pays them to get rid of their surplus productions. In this particular trade France is an offender also. As they sell in other countries on the same terms, and for the same reasons, the evil spreads. Then there is the bicycle trade. Does any one suppose that American machines are made for the price at which they are often offered in this country? I am making allowances for quality, which is generally inferior to our own. But it does not always follow that quality regulates the cost of production. I speak with reserve of bicycles, for it is not one of my trades, but of the other trade I speak with full knowledge.

Is the foreign maker justified in selling in this way? The shrewd business man may say "Yes." It is, or is supposed to be, one way in which a manufacturer can make money. Although it would make no difference to the principle, I might be willing to admit that, supposing ours was not a free-trade country, it might pay us to do the same. But it would be just as wrong, no matter what we made by it. I have, however, to take things as I find them, and as we get no protection from our Government we have to protect ourselves. We have a perfect right to compel the foreigner, by any lawful means at our disposal, to sell his goods at a profit both in his own country and in ours.

To what have we arrived in this argument? I claim one conclusion only. It is that whether for the purpose of preventing home competition, which is most of all to be feared, or for the purpose of fighting foreign competition—the extent of which we shall never learn until we are united—the first remedy is combination. By combination I mean the unity of

British manufacturers, whereby all underselling amongst themselves shall be put an end to, by the help of their work-people who must have a fair price for their support, and a united effort on the part of both employers and employed to compel the foreign producer to sell on fair terms.

"A beautiful theory," some will say. To such I answer, that I challenge any one to prove that, in any trade where combination of the kind I have described exists, foreign competition has increased either in this country or in any other.

But does any one suppose that we are the only people who deplore underselling? If so he knows but little of what is going on abroad. Our danger is that we may be too slow in recognizing the value of combination in trades. I hold sufficient evidence to prove that the principle I advocate is being adopted by the foreigner while we regard it with suspicion. I have been called upon to supply to Germany, America, Australia, Denmark, and New Zealand all possible information on the subject. The workmen in these countries are considering the scheme. They will not always work for less than their just wage. They are beginning also to discover that selling without profit can be prevented. This is all on our side, I admit; but why should we leave the foreigner to apply these principles before we apply them ourselves? At the present moment a professor of political economy in the University of Copenhagen is engaged in delivering throughout Denmark a series of lectures on this subject. Is there any professor so engaged in England? It is my earnest desire to see the work taken up by others who may be more capable of performing it than myself. Can they have anything better to work for? It is fair profits, fair wages, and England's supremacy maintained and upheld by combined intelligence and united action.

THE INTERESTS OF THE CONSUMER.

My previous articles have been intended to represent only the case of those who are directly occupied in manufacturing the various articles which are necessary to the community, and out of the production of which capital and labour are to obtain their legitimate reward for the services rendered. These are the people who at the present moment need the greatest consideration; but any effort to assist them invariably brings upon one the criticism of those who think they hold a brief for that other section of the public called the consumer. Who the consumer may be outside those who produce is seldom stated, so that it is somewhat difficult to decide who are the persons who require protection. Are they those only who consume and do not produce—those who neither toil nor spin? If so, it would not be difficult to deal with them. As their mission in life seems to be that of receiving and spending, unless we wish to deprive them of their privileges, they can surely be left severely alone. If we are not intending to interfere with their receiving, we cannot wish to interfere with their spending. It is the only compensation we get. They have a right to insist upon our treating them fairly. It is no more honest to rob a rich man than a poor one. But the man who has the most to spend can best afford to spend it. It seems, therefore, that when the question of the consumer's interest has to be considered, the wealthy class must be left out of the question, unless any attempt is made to impose upon them, when they would have a claim to be heard. As

it is no part of my plan to impose upon them in any way, I presume I have a right to ignore them in any argument intended to prove that the ordinary British consumer is not damaged by the adoption of combination between employers and employed. At the same time their interest will, to a large extent, be included in the considerations which apply to other people.

Now, who are the other people? We hear a great deal about them in those newspapers which oppose combination, but we seldom, if ever, get them particularized. They seem to form an unknown quantity; but, speaking generally, they may be taken to be the people who wish to buy cheaply. They contend that it is no business of theirs to consider whether the article they buy bears a profit or is sold at a loss. No doubt it is a common human instinct to try to make a good bargain, and to boast of it. But there is as much evil done in the world from want of thought as from want of heart, and many people who make a good bargain would be ashamed to own it if they knew the privations and misery which "good bargains" often bring about. However, one must acquit them of any intention to do harm, and a purchaser is quite justified in assuming that the person who sells should know best how much he ought to charge. Indeed, we brand him with social ignominy should he make mistakes, and so deprive his creditors of their lawful rights. It is, therefore, an assumption of the community that no matter how cheaply an article is sold, it is quite right to buy it at the price. But it is clear that, if remunerative prices are charged, the public will have to pay something more for some articles than they do at present. Is there any injustice done to them by making them do this?

The economists have discussed this question for many years, but none of them have declared that goods should be sold without profit, and all of them worth notice have tried to show that undue profits are generally harmful in the end to everybody. The very rich people, although imposed upon, will

not feel it greatly, but there are others who will. I do not believe in undue profits, and might end by asking some one to prove that such a trade combination as I recommend has ever imposed them. But there are many sides to this question, all of which have to be dealt with in order to understand the position.

The first is to define clearly the people who would feel the pinch. The persons who primarily reap the benefit of combination are supposed to be the manufacturers and the work-people. But are these all? The manufacturer who makes profits pays his way, and does not become bankrupt. Evidently the business people with whom he deals share the benefit of his improved position. Moreover, he has more money to spend, and he spends it. He will call in an accountant to make a good balance-sheet, but finds that he cannot afford to pay anybody to make him out a bad one, until, indeed, it comes to the worst, when he must do so *once*. He will be more willing to engage a solicitor to draw up an agreement, instead of depending upon his own limited legal knowledge. He will not be so particular about calling in a doctor to the members of his family when he is in a position to pay him. In fact, it is well known that everybody is "better off" when trade is good than when it is bad. This means when *profits* are good. If fair profits could always be obtained, the same result would always follow. That is to say, fair profits must benefit many people besides the manufacturer who makes them. The same argument applies to the work-people. They pay their rent instead of moving by moonlight from one house to another. They buy more furniture, better clothes, better food, and more of it. The shopkeepers are benefited, and the workmen's families are made more comfortable. Commerical travellers, too, get more commission on high prices than on low ones, and clerks, foremen, and managers get increased salaries with improved circumstances. If all these people are taken away from the consumers who are supposed to suffer by combination, it is a

difficult matter to define who are left. Still there are some, and justice should be done to everybody. The residuum may perhaps be described as those who are not engaged in business in any way, and who have no commercial interests. One would feel inclined to include clergymen and widows who live on small incomes, were it not for the well-known fact that these are the very people who invest their limited capital in trading companies, which must make a profit or lose the money of their shareholders.

But, granting that there must be some who do not directly benefit by better manufacturing profits, and who must suffer through having to pay higher prices for the articles they buy, what is the charge against combination? Is it that it benefits the large majority? Then what becomes of the doctrine of the "greatest good for the greatest number"? Certainly justice should be weighed and measured and meted out to all, so that injustice shall be done to none. But, supposing that there are any whose position will be made worse by having to pay a fair price for the things they purchase, it should be evident that, since these things were sold at too low a price, a great injustice was formerly inflicted. There can be no injustice in putting things right. If a few have benefited at the expense of the many, they have no cause of complaint because the balance has been restored.

But there is a larger question than this. I am asked how the community generally can benefit by having to pay higher prices all round? The inquiry presupposes that combination in manufacturing circles must necessarily raise the prices of those articles without which the people could not live. I should draw a great distinction between such articles and the products with which trade combinations deal, but it has yet to be proved that one person has any right to live at the cost of life to another. To face this question fairly, we must go back to the primeval days of barter and exchange. The progress of the human race has made necessary some easier

method of supplying human wants, but the principle must ever remain the same. The man who grows more food than he wants for himself, but who cannot make his own clothes, etc., is glad to exchange his superfluous products for the other things he needs. The man who can make clothes and other useful articles is ready to barter for food the things upon which alone he cannot live. But from the earliest days no one has expected one man to give to another more value than he has received. And as we cannot have things in common to-day, the value of each has to be appraised. There are times when a man dying of thirst would give up his millions for one drink of water, but no one would dream of assessing water at that man's valuation excepting under the same circumstances. There *must* be a correct corresponding value for everything. If it be ascertained, and no more is paid, injustice cannot be done. The difficulty is to get at the right value, and by what better means can this be resolved than by carefully taking out the costs of production?

During the centuries which have passed between the first method of barter and exchange in kind, and the present elaborate system of commerce, many things have happened, and many departures from the first idea have been made. To live is not now sufficient. The manner in which one may live is everything. Former luxuries have become necessities of life. Dreams have become realities. Ambition has supplanted contentment. We do not now wish to live for, but upon each other. The weakest, who once got the most help and sympathy, are trampled underfoot in the eager rush to be strongest and first. It is the age of "every man for himself." In business this is true, notwithstanding all our boasted advances. We are more charitable than ever in the sense that, having made our money, we are more willing to make some kind of reparation for the way in which we have made it. But what is called the "business instinct" is the strongest factor in human character to be reckoned with in everything. We may be

earnest members of churches, prominent philanthropists, intelligent students of social problems, but the desire to make money in some way is a matter which we insist upon placing outside the principles by which in all other things we judge of human conduct. In this race for wealth, it seems scarcely possible to be just. To plead for justice, we are told, is to invite abuse. Those who have secured something which did not belong to them do not like to surrender it. Those who have lost something which did belong to them, know that it is of no use to ask for it to be returned. Yet something ought to be done. When the principle of justice is at stake are we to be frightened by the threatenings of the selfish, or the puerile protests of the unthinking many?

How will people benefit by paying a fair price for everything? The answer is that they will benefit because it is a fair price, because we shall be nearer to the old methods of mutual help. Nothing could be worse than our present system. In America it has given birth to Trusts, which, it is stated, now absorb 90 per cent. of the whole trading interests. They will only assist monopoly and increase the injustice—while they last. There is a better way. It is the adoption of some system which insists upon obtaining fair profits properly ascertained, and paying fair wages upon the basis of such profits. When this is secured, there will be no need for monopoly, and there will be more barriers against it. Those who object to paying a fair price will not be listened to, and those who try to get more will stand revealed. There is no law, divine or human, against such a system of conducting business, and the consequences may be safely left to look after themselves.

In fact, the whole case depends upon the question of right or wrong. We have been taught that the instinct to bargain would keep at a fair level all buying and selling prices, but it has been conclusively proved that it will do nothing of the kind. Surely "higgling" about prices must result in

the "smart" man, the "'cute" bargainer, and the unscrupulous buyer, getting the better of the dull, the weak, and the honest seller. Justice or fairness does not enter into the transaction in any way. Again, we are told that necessity knows no law. Take for illustration what can be met with any Saturday morning at the offices of some of our prominent middlemen in large towns. Orders at low prices have been placed with small and necessitous manufacturers. The goods are on the carts at the door. The makers are dependent upon the payment of ready cash to pay the weekly wages of their work-people who are awaiting their return. They dare not go back without the money. One can at once see the great advantage which the middleman holds at such a moment. He can find fault with the goods, complain that they are not to order, or suggest that he is too busy to take them in—anything he cares to advance as an excuse for taking 5 or 10 per cent. off the invoice. The seller must yield or go back to face disaster. This is no fanciful case. I am casting no reflection on merchants and factors as a body—who are far above such practices—when I say that, to my certain knowledge, this is a course adopted by some of them, and that out of this alone they grow rich. Is there any justice in such an expedient to make the best of a bargain? It is unjust to the manufacturer, who is often so forced to sell his goods below cost; it is unjust to the workmen, whose wages naturally suffer in the anxiety of their employers to minimize the loss; and it is unjust to the honest middleman who will not take advantage of poverty, but who is placed at a disadvantage in regard to selling-prices by those of his competitors who will. It is true that the public get some share of the plunder, for the dishonest middleman has to divide the spoil when he wants to cut out his competitors in selling-prices; but who will say that the public, who are the unwitting receivers of this stolen property, have any right to the advantage which it brings them? The truth is we must go back to the old Christian

teaching of the mediæval moralists who condemned underselling, and did not believe in bargains as we now use the term. They held and taught that everything had a *justum pretium*, and that anything less or more must be unfair to somebody. We are told by the highest authority to do unto others as we would have others do unto us—to trade, to buy or sell according to the golden rule of justice all round. We cannot depart from this rule without suffering for it in some way or other. The attempt to place the trading practices of this country on a right basis—in defence of which these articles have been written—is called a “new” system, simply because it is a departure from our present methods. It is really only an effort to restore the principle of justice from which we have wandered. The consumer can have no claim whatever to any consideration, which is based on the assumption that he has a right to buy without paying a fair price. He has no right to do anything of the kind. He ought to be made to pay a fair value, and the coercion which is a part of the new system, and which is so much condemned, is only the scourge with which the desecrators of the temple of fair dealing are taught a higher code of business morality. The consequences may safely be ignored. The consumer has his claim, it is true. He may demand that he also shall be fairly treated. Can any one suggest a better response to this appeal than obedience to the principle of selling everything on the basis of well-ascertained cost of production?

“But,” it is argued, “since the consumer has nothing to do with the determination of this cost, how can he be assured that he is not being cheated?” The only reply is that the consumer is well able to look after himself. If he wishes to make the article he is buying, there is nothing to prevent him from doing so. Combination in trade, as I defend it, creates no monopoly. Undue profits create over-production, and necessarily so. As a matter of fact the consumer holds the power in his own hands. He can insist upon fair treatment,

and he does. He often complains without a cause, but if he has a cause he also has a remedy. Let him make for himself. I have tried to prove many times that undue profits under this system are utterly impossible, but I find all the old questions turning up on every hand. Monopoly in trade has done so much damage in the past that any plan which aims only at securing fair profits is regarded as another attempt at monopoly. People do not stop to inquire and examine. An old name is given to a new movement, and it has to bear all the odium which the name inherits. There is a limit to all controversy. I have tried to convince those who are interested in this movement that it *cannot* bring about unfair prices. If they will not follow or accept the argument, I call upon them to show a single case where undue prices have been created by it. Every trade working under its principles has its recognized and printed system of arriving at costs. I ask for a single instance of a combination, formed on the lines I defend, even asking for an unfair price. I know absolutely that not one of these combinations could secure a majority vote in favour of a price which would secure more than an ordinary and in every sense fair margin of profit. As the consumer ought to be willing to pay this, he has no case until he can prove that I am wrong in my assertion.

But it would be easy to turn the tables on the critics of this movement by showing that instead of prices being raised they have often been lowered, and that the natural tendency of the system is to lower them. One or two illustrations of this may be useful. Most of the abuse which has been hurled at the movement has been directed towards the bedstead trade, chiefly because it was the first to try the experiment, and is therefore the parent combination, and also because its inventor is a bedstead manufacturer himself. I will therefore take this trade as an example of what I have just stated. Before combination was formed the people of this country could buy a common bedstead at about 11s. Three years after the

combination they could buy it for less than 10s. 6d. On the former price there was a dead loss to the maker, on the latter there was a fair profit. The first price enabled the maker to pay only a low wage, the second enabled him to pay a good one. Since then the prices of materials in this country—copper, iron, etc.—have gone up considerably, and the selling-prices of these bedsteads have been raised in consequence; but even to-day the consumer gets his common bedsteads as cheaply in proportion as ever. This is no puzzle; it is simply the most convincing proof of the value of the system whereby articles are sold on the basis of cost of production. No sooner was the system adopted than every manufacturer began to do his best to reduce cost. Superfluous metal was removed, and unnecessary processes were dispensed with. Necessary strength—strength in the right places, strength without unnecessary bulk—was maintained, and ingenuity unrestrained soon found methods by which a lighter though not weaker article could be produced. A better sense of proportion was cultivated, and the consumer got a better article at a lower price. I say, without fear of contradiction, that, considering the differences in the charges for materials, bedsteads of the popular kind are being sold under combination at lower prices than were current without combination in the old days. The same statement would apply to some kinds of fenders, and to some china electrical fittings, also to some patterns of coffin furniture. So much for actual results; but even if no such examples could be given, it would still be true that neither manufacturers nor workmen could in any of these combinations be induced to risk losing their trade by charging undue profits. The consumer is therefore protected in every way. If there were no other safeguards, the fear of foreign competition would be quite enough to prevent an attempt to extort more than a fair price for any article.

The case for the consumer, then, is brought down to this:—

1. Nearly all consumers are more or less directly interested in the manufacturer obtaining fair profits on his sales, and in the workman getting fair wages for his labour. This holds good even when the consumer is in no way directly connected with trading matters.

2. He has in the past been buying at prices which were unfair because they were too low. He has no cause for complaint if this is remedied.

3. He is well protected by the system itself, which has never charged him an unfair price, and is never likely to do so.

4. Should this, however, ever happen, he is in no way prevented from making the articles for himself.

5. He is to-day obtaining, by the aid of combination, a better article at a lower price than he could obtain without it. This applies, however, more particularly to ordinary goods, and not to exceptional, and therefore expensive, articles.

If, then, this system gives to the work-people a fair wage, secures to the manufacturers a fair profit, charges no more to the customer than he ought to pay, and puts an end to the labour war, is it not worthy of the earnest consideration of all classes of the community?

Good intention

THE END.





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